MONTANA LEGISLATIVE HISTORY

Chapter 463 19 97

Bill H _____ S 195 Original bill & history ✓ C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	Feb 20	✓ C	Hearing Date(s)	Jan 24	✓ C
	Mar 14	✓ C		Jan 30	✓ C
		C			C
		C			C
Date Out		C			

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

Free Conference Committee

Apr 12, 14, 15, 16, 17

1997 LEGISLATIVE HISTORY

The 1997 Montana Legislature has dramatically changed the nature of the legislative minutes. Specifically, the minutes from House committees are extremely sparse in content, offering no substantive information from which to glean legislative intent. The Senate committees' minutes are somewhat fuller in content. Exhibits available from the State Law Library (which may include written statements, attendant information, roll call votes, roll call attendance, a list of public members present, specific action taken on legislative bills, etc.) are included with this request. For information on other exhibits, contact the Montana Historical Society Archives at 444-4774. Exhibits may also be purchased on a CD-ROM from the Montana Legislative Council (444-3064).

Just as in the 1995 legislative session, the House and Senate hearings were recorded. The Historical Society is the depository for the tapes. For information on accessing the tapes, call the archives at 444-4774.

If you have concerns over the format of the 1997 legislative minutes, it is suggested that you contact your state legislators.

SB 195 INTRODUCED BY HARP, ET AL. *LC0134 DRAFTER: MARTIN*

PHASE IN THE EFFECT OF THE CURRENT PROPERTY REAPPRAISAL CYCLE FOR CLASS THREE, FOUR, AND TEN PROPERTY

1/17	INTRODUCED		
1/17	FIRST READING		
1/17	REFERRED TO TAXATION		
1/20	FISCAL NOTE REQUESTED		
1/23	FISCAL NOTE RECEIVED		
1/23	FISCAL NOTE PRINTED		
1/24	HEARING		
1/30	COMMITTEE REPORT—BILL PASSED		
2/03	2ND READING PASSED	42	8
2/04	3RD READING PASSED	42	8
	TRANSMITTED TO HOUSE		
2/05	FIRST READING		
2/05	REFERRED TO TAXATION		
2/20	HEARING		
3/15	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
3/24	REVISED FISCAL NOTE REQUESTED		
3/25	REVISED FISCAL NOTE RECEIVED		
3/26	2ND READING CONCURRED AS AMENDED	57	43
3/26	REVISED FISCAL NOTE PRINTED		
3/28	3RD READING CONCURRED	67	33
	RETURNED TO SENATE WITH AMENDMENTS		
4/07	2ND READING AMENDMENTS NOT CONCURRED	49	0
4/10	FREE CONFERENCE COMMITTEE APPOINTED		
4/11	HEARING		
4/12	HEARING		
4/14	HEARING		
4/14	HEARING		
4/15	HEARING		
4/16	HEARING		
4/16	HEARING		
4/17	FREE CONFERENCE COMMITTEE REPORT NO. 1		
4/18	2ND READING FREE CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	30	19
4/19	3RD READING FREE CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	32	18
	HOUSE		
4/10	FREE CONFERENCE COMMITTEE APPOINTED		
4/17	FREE CONFERENCE COMMITTEE REPORT NO. 1		
4/18	2ND READING FREE CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	50	49
4/18	RECONSIDERED PREVIOUS ACTION AND PLACED BACK ON 2ND READING	55	44
4/18	2ND READING FREE CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	52	48
4/19	3RD READING FREE CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	66	31
4/24	SIGNED BY PRESIDENT		
4/24	SIGNED BY SPEAKER		
4/24	TRANSMITTED TO GOVERNOR		
4/30	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 463		
	EFFECTIVE DATE: 04/30/97		

SB BILL NO. 195

INTRODUCED BY HARP MERCER AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT DELAYING THE EFFECT OF THE CURRENT PROPERTY REAPPRAISAL CYCLE; DELAYING THE NEXT REAPPRAISAL CYCLE UNTIL THE YEAR 2000; REQUIRING THE DEPARTMENT OF REVENUE TO USE THE VALUES ESTABLISHED IN 1996 FOR ALL CLASSES OF PROPERTY SUBJECT TO PROPERTY TAXATION FOR TAX YEARS 1997 THROUGH 1999; REQUIRING THE DEPARTMENT OF REVENUE TO VALUE NEW PROPERTY OR RECLASSIFIED PROPERTY IN A MANNER CONSISTENT WITH THE WAY PROPERTY WAS VALUED WITHIN THE SAME CLASS IN 1996; AMENDING SECTIONS 15-7-103, 15-7-111, AND 15-7-221, MCA, AND SECTIONS 5 AND 6, CHAPTER 563, LAWS OF 1995; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because 15-7-111 gives rulemaking authority to the department of revenue for determining the valuation of new and reclassified property in the same manner as property was valued within the same class in 1996.

The legislature contemplates that the rules adopted by the department should address, at a minimum, the following:

(1) the base year to be used for determining the assessed value of new or reclassified property consistent with the base year of existing property in the same class;

(2) the method for determining the assessed value of new or reclassified property when a base year is not relevant to the determination of value of property in the same class; and

(3) other criteria to ensure that the assessed value of new and reclassified property is determined in the same manner as other property in the same class.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-7-103, MCA, is amended to read:

"15-7-103. Classification and appraisal -- general and uniform methods. (1) It is the duty of the

department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing for a general and uniform method of:

(a) ~~for a general and uniform method of~~ classifying lands in the state for the purpose of securing an equitable and uniform basis of assessment of ~~said~~ lands for taxation purposes;

(b) ~~for a general and uniform method of~~ appraising city and town lots;

(c) ~~for a general and uniform method of~~ appraising rural and urban improvements;

(d) ~~for a general and uniform method of~~ appraising ~~timberlands~~ forest lands.

(2) ~~All lands~~ The department shall ~~be classified~~ classify all lands according to their use or uses and ~~graded~~ shall grade land within each class according to soil and productive capacity. In ~~such classification work~~ classifying lands, the department ~~use~~ shall ~~be made of~~ use soil surveys and maps and all other pertinent available information.

(3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by metes and bounds, whichever yields a true description of the land.

(4) All agricultural lands must be classified and appraised as agricultural lands without regard to the best and highest value use of adjacent or neighboring lands.

(5) (a) In any periodic revaluation of taxable property completed under the provisions of 15-7-111 ~~after January 1, 1986~~, all property classified in 15-6-134 must be appraised on its market value in the same year.

(b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department shall use the assessed values established in 1996. ~~The~~ For all other years, the department shall publish a rule specifying the year used in the appraisal.

(6) All sewage disposal systems and domestic use water supply systems of all dwellings may not be appraised, assessed, and taxed separately from the land, house, or other improvements in which they are located. ~~In no event may the~~ The sewage disposal or domestic water supply systems may not be included twice by including them in the valuation and assessing them separately."

Section 2. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of taxable property -- exception -- rules.** (1) (a) ~~The~~ Except as provided in subsection (1)(b), the department of revenue shall administer and supervise a program for the

revaluation of all taxable property subject to taxation under Title 15, chapter 6, part 1, within the state. The department shall complete this revaluation program by December 31, ~~1996~~ 1999. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued by December 31, ~~1996~~ 1999. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county.

(b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department shall:

(i) use the assessed values established in tax year 1996 for all classes of property subject to taxation under Title 15, chapter 6, part 1; and

(ii) value new property or reclassified property in a manner consistent with the method of valuing property within the same class in tax year 1996. The department shall adopt rules for determining the assessed valuation of new property or reclassified property within the same class.

(2) Beginning January 1, ~~1997~~ 2000, the department of revenue shall administer and supervise a program for the revaluation of all taxable property within the state at least every 3 years. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued at least every 3 years. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county."

Section 3. Section 15-7-221, MCA, is amended to read:

"**15-7-221. (Temporary) Phasein of the taxable value of agricultural land.** The increase or decrease in taxable value of agricultural land resulting from the change in the method of determining productive capacity value under 15-7-201, as that section read on December 31, 1996, must be phased in ~~beginning January 1, 1995~~, as follows:

(1) ~~For the year beginning January 1, 1995, and ending December 31, 1995, the taxable value of agricultural land in each land use and production category must increase or decrease from the December 31, 1994, value by one-third of the difference between the product of the productive capacity value of agricultural land for 1995 determined under 15-7-201 times the class three tax rate and the taxable value of agricultural land as of December 31, 1994.~~

~~(2)~~ For the year beginning January 1, 1996, and ending December 31, 1996, the taxable value of

agricultural land in each land use and production category must increase or decrease from the December 31, 1994, value by two-thirds of the difference between the product of the productive capacity value of agricultural land for 1995 determined under 15-7-201, as that section read on December 31, 1996, times the class three tax rate and the taxable value of agricultural land as of December 31, 1994.

~~(3)~~(2) (a) Beginning January 1, 1997, and ending December 31, 1999, the taxable value of agricultural land in each land use and production category is equal to ~~100% of~~ the productive capacity value of agricultural land determined under ~~15-7-201 times the class three tax rate~~ subsection (1).

(b) Beginning January 1, 2000, the taxable value of agricultural land in each land use and production category is equal to 100% of the productive capacity value of agricultural land determined under 15-7-201 times the class three tax rate.

~~(4)~~(3) This section does not apply to land described in 15-6-133(1)(c). (Repealed effective January 1, ~~1998~~ 2001--secs. 4, 5, Ch. 563, L. 1995.)"

Section 4. Section 5, Chapter 563, Laws of 1995, is amended to read:

"Section 5. **Effective dates.** (1) [Sections 1, 3, 6, and this section] are effective on passage and approval.

(2) [Section 2] is effective January 1, ~~1997~~ 2000.

(3) [Section 4] is effective January 1, ~~1998~~ 2001."

Section 5. Section 6, Chapter 563, Laws of 1995, is amended to read:

"Section 6. **Applicability.** (1) [Sections 1 and 3] apply retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1994.

(2) [Section 2] applies to tax years beginning after December 31, ~~1996~~ 1999."

NEW SECTION. **Section 6. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1996.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0195, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act delaying the effect of the current property reappraisal cycle; delaying the next reappraisal cycle until the year 2000; requiring the department of revenue to use the values established in 1996 for all classes of property subject to property taxation for tax years 1997 through 1999; requiring the department of revenue to value new property or reclassified property in a manner consistent with the way property was valued within the same class in 1996; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:
Impact to Taxable Value:

1. Under the proposal, the taxable value of class 3 property (ag land) is estimated to be $10,100,000 *less* in FY98 and in FY99. (MDOR)
2. Under the proposal, the taxable value of class 4 property (residential and commercial real property) is estimated to be $358,700,000 *less* in FY98 and $372,900,000 *less* in FY99. (MDOR)
3. Under the proposal, pollution control equipment in class 5 would no longer receive the benefit of depreciation. It is estimated that this would result in the taxable value of pollution control equipment being $1,000,000 *more* in FY98 and $2,000,000 *more* in FY99. (MDOR)
4. Under the proposal, the taxable value of class 6 property (livestock) would be $2,900,000 *more* in FY98. For FY99 it is assumed that livestock prices will rebound to FY97 levels resulting in no change in the taxable value of livestock. (MDOR)
5. Under the proposal class 8 property (business equipment) would no longer receive the benefit of depreciation. It is estimated that this would result in the taxable value of class 8 property being $12,700,000 *more* in FY98 and $23,000,000 *more* in FY99. Class 8 business equipment taxes will continue to decrease as a result of the taxable value rate reductions implemented in SB417, 1995 Legislative Session. (MDOR)
6. Under the proposal, the taxable value of class 10 property (forest land) is estimated to be $9,200,000 *less* in FY98 and in FY99. (MDOR)
7. The impact to class 1,2,7, 9, and 12 property (proceeds, utilities and transportation property) cannot be estimated at this time. Depending on various factors, the proposal could result in an increase or a decrease in the valuation of taxpayers in these classes of property.

Summary Table - Change in Total Statewide Taxable Value

	FY98	FY99
Class 1 Proceeds	----	----
Class 2 Proceeds	----	----
Class 3 Ag Land	$ (10,100,000)	$ (10,100,000)
Class 4 Resid.and Comm. Real	(358,700,000)	(372,900,000)
Class 5 Pollution Control	1,000,000	2,000,000
Class 6 Livestock	2,900,000	0
Class 7 Indep. Telephone	----	----
Class 8 Business Equipment	12,700,000	23,000,000
Class 9 Utilities	----	----
Class 10 Forest Land	(9,200,000)	(9,200,000)
Class 12 Railroads and Air Lines	----	----
Total Change	$(361,400,000)	$(367,200,000)

(Fiscal Impact - page 2)

Dave Lewis 1-23-97

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

1/23/97

JOHN HARP, PRIMARY SPONSOR DATE

Delay in Property Taxes Paid:

8. Under the proposal, the FY97 property tax payments paid by class 8 personal property not liened to real property (38% of the total statewide class 8 property) and by personal property mobile homes would be delayed until FY98. The taxes paid by this property is estimated to be $9,500,000 to the statewide 95 mill levy, $600,000 to the university 6 mill levy, $330,000 to the state assumption of welfare 9 mill levy, $50,000 to the Vo-Tech 1.5 mill levy, and $26,100,000 to local governments and schools. (MDOR)
9. Emergency rules will be implemented, but the certified taxable values for tax year 1997 (15-10-202,MCA) will be delayed until late August 1997, causing a delay in the county budget process.

Interaction with SB417 Reimbursements:

10. Under current law, reimbursements to local governments from the general fund for the reduction of the tax rate for personal property required under SB417 (passed by the 1995 legislature) are estimated to total $10,400,000 in FY98 and $12,200,000 in FY99. Given an increase in the assessed valuation of class 8 property (assumption 5), it is estimated that the reimbursement totals would be reduced by 14% in FY98 and 20% in FY99. (MDOR)
11. Under current law, a total reimbursement of $3,500,000, based on tax year 1997 class 8 valuations, will be made in June 1997. Under the proposal, this reimbursement to local governments would be delayed until FY98 and would be reduced by 14%. (MDOR)

Other Assumptions:

12. It is assumed that the administrative cost of implementing the proposal will offset savings.
13. The result of decreasing the total statewide taxable value is estimated to be an *increase* in the general fund requirement for Guaranteed Tax Base(GTB) payments of $10,600,000 in FY98 and of $3,400,000 in FY99. (OBPP)
14. The proposal will impact the taxable rate applied to class 12 property (railroads and airlines). The degree of the impact cannot be estimated at this time.

FISCAL IMPACT:

General Fund Impact:

The proposal has no impact on department expenditures.

	FY97 Difference	FY98 Difference	FY99 Difference
Increased GTB Payment		$ (10,600,000)	$ (3,400,000)
Non-Liened Taxes Delayed			
95 Mill	(9,500,000)	9,500,000	
1.5 Vo-Tech Mill	(50,000)	50,000	
SB417 Reimbursement	3,500,000	(3,000,000)	
Reduction in SB417 Reimbursement		1,500,000	2,400,000
Change in Tax Base			
95 Mill		(34,300,000)	(34,900,000)
1.5 Vo-Tech Mill		(200,000)	(200,000)
General Fund Impact	**$(6,050,000)**	**$(37,050,000)**	**$(36,100,000)**

(Other Fund Impacts - page 3)

...ther Fund Impacts

Non-Liened Taxes Delayed			
6 Mill University	(600,000)	600,000	
9 Mill State Assumption	(330,000)	330,000	
Change in Tax Base			
6 Mill University		(2,200,000)	(2,200,000)
9 Mill State Assumption		(1,900,000)	(2,000,000)
Other Fund Impact Total	**(930,000)**	**(3,170,000)**	**(4,200,000)**

FISCAL IMPACT TO TAXPAYERS:

The proposal results in a shift of tax burden between classes of property. By negating the increase in taxable value of class four property, property taxes are shifted onto other classes of property. The degree of this shift is proportionally related to the expected increase in value of residential and commercial property under reappraisal. Generally, the shift would be greatest in areas where residential and commercial real property has appreciated the most. Conversely, the shift will be much smaller in areas where residential and commercial real property has appreciated little.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal impacts the FY97 revenues of local governments and local schools by delaying an estimated $26,100,000 in property taxes from FY97 to FY 98 (assumption 8). A SB417 reimbursement of $3,500,000 in FY97 is reduced to $3,000,000 and delayed to FY98 (assumption 11).

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The proposal reduces property tax revenues through fiscal year 2000. The impact is due to a reduced statewide taxable value under the proposal.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0195, 2nd reading, 2nd house, as amended

DESCRIPTION OF PROPOSED LEGISLATION:
An act eliminating the effect of the current property reappraisal cycle for class three, four, and ten property; requiring the department of revenue to value new class 3, four, and ten property or reclassified class three, four, and ten property in a manner consistent with the way property was valued within the same class in 1993; allowing an extension of 1997 statutory deadlines relating to property taxes; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:
Impact to Taxable Value:

1. Under the proposal, the taxable value of class 3 property (ag land) is estimated to be $10,100,000 *less* in FY98 and in FY99 (MDOR).
2. Under the proposal, the total taxable value of class 4 property (residential and commercial real property) is estimated to be $342,900,000 *less* in FY98 and $353,300,000 *less* in FY99 (MDOR).
3 Under the proposal, the taxable value of class 10 property (forest land) is estimated to be $9,200,000 *less* in FY98 and in FY99 (MDOR).
4. The proposal will result in reducing the tax valuation of the 1.5 Vo-Tech mill levy by $144,800,000 in FY98 and $152,400,000 in FY99 (LFD).
5. A combination of taxable value decrease and HB2 will result in an expenditure from the general fund of $1,097,000 in FY98 and $1,334,000 in FY99 for the state assumption of welfare (LFD).
6. Generally, the proposal results in reduced tax valuation for local governments. This will result in a higher level of mill levies for local governments than under current law. Because of this there would be a shifting of non-levy revenue from state government to local governments of $1,663,000 in FY98 and $4,316,000 in FY99 (LFD).
7. The result of decreasing the total statewide taxable value is estimated to be an *increase* in the general fund requirement for Guaranteed Tax Base(GTB) payments of $11,534,000 in FY98 and of $3,675,000 in FY99 (LFD).
8. The proposal will have no impact on the university 6 mill levy funding (HB2).
9. It is estimated that administrative costs would include computer costs in FY97 and FY98 totaling $318,650, personnel costs in FY97 and FY98 totaling $116,800, and operations costs in FY97 and FY98 totaling $64,470 (MDOR).
10. Certified taxable values for tax year 1997 may be delayed, causing a delay in the county budget process.

FISCAL IMPACT:
Expenditures: (General Fund)
It is estimated that administrative costs will total $499,920, spread over FY97 and FY98.

	FY98 Difference	FY99 Difference
GTB Payments	11,534,000	3,675,000
State Assumption	1,097,000	1,334,000
Revenues:		
95 Mill Levy	$(34,409,000)	$(35,397,000)
1.5 Vo-Tech Mill Levy	(217,200)	(228,600)
Non-Levy Revenue	(1,663,000)	(4,316,000)
Net Impact:	**$(48,920,200)**	**$(44,950,600)**

(continued)

Dave Lewis 3-25-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

3/26/97
JOHN HARP, PRIMARY SPONSOR DATE

FISCAL IMPACT TO TAXPAYERS:

The proposal results in a shift of tax burden between classes of property. By negating the increase in total taxable value of property classes three, four, and ten, property taxes are shifted onto other classes of property. The degree of this shift is proportionally related to the expected increase in value of residential and commercial property under reappraisal. Generally, the shift would be greatest in areas where residential and commercial real property has appreciated the most. Conversely, the shift will be much smaller in areas where residential and commercial real property has appreciated little.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

There would be a shifting of non-levy revenue from state government to local governments of $1,663,000 in FY98 and $4,316,000 in FY99.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The proposal reduces property tax revenues through fiscal year 2000. The impact is due to a reduced statewide taxable value under the proposal.

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 24, 1997, at 8:00 a.m., in Room 325.

ROLL CALL

Members Present:
Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing(s) & Date(s) Posted: SB 195, 01/19/97
Executive Action: None

HEARING ON SB 195

Sponsor: **JOHN HARP, SD 42, KALISPELL**

Proponents:
Mick Robinson, Representing Governor Racicot
Dennis Burr, Montana Taxpayers Association
Joe Upshaw, Speaking for the Retired Community
Ed Regan, RY Timber, Inc.
Jeff Wolfe
John Baucus, Montana Stockgrowers
Andy Skinner
Al Kington, Montana Tree Farm Association
John Bloomquist, Montana Stockgrowers
Rep. Douglas Wagner, Dist. 83
Dean Randash, NAPA Auto Parts
Del Schubring, Broadwater Printing

David Owen, Montana Chamber of Commerce
John Shontz, Montana Association of Realtors
Greg VanHorssen, Montana Housing Provider
Lorna Frank-Karn, Montana Farm Bureau
Ed Nelson
Angela Janccaro, Montana Mining Association

Opening Statement by Sponsor:

SEN. JOHN HARP explains SB 195 delays the effect of the current property reappraisal cycle and delays the next reappraisal cycle until the year 2000. He states there must be a vision to move Montana ahead rather than try to divide the state. **SEN. HARP** calls for a new direction in Montana, looking for solutions for tax reform. He asserts SB 195 is supported by both sides of the aisle. He states Governor Racicot has elevated the sales tax proposal as proclaimed in the State of the State address and the Montana Association of Counties (MACO) is working for tax reform along with reductions in property taxes. **SEN. HARP** remarks that SB 195 contains all the pieces to solve the interim problem of escalating increases in property taxes, and the issue of changing how property taxes are dealt with based on the Constitution.

Proponents' Testimony:

Mick Robinson, Representing Governor Racicot, presents **(EXHIBIT #1)**.

Dennis Burr, Montana Taxpayers Association, supports reappraisal projects in the state, encouraging values to be froze at the current level. He attests it is necessary to impart fairness.

Joe Upshaw says he is certain he speaks for a large segment of the retired population in Montana. He announces Montana property tax and the income tax has reached a saturation point. **Mr. Upshaw** maintains SB 195 is fair and equitable to all.

Ed Regan, RY Timber, Inc., states SB 195 is an interim measure that will provide property tax relief, while the legislature works towards a more comprehensive and equitable tax system for Montana. **(EXHIBIT #2)** is presented by **Mr. Regan**.

Jeff Wolfe, Columbia Falls, comments he has watched his taxes increase 600% since 1990 and he can't afford to live in the State of Montana any longer. He asks for something to be done making things more equitable.

John Baucus, Montana Woolgrowers Association, speaks from a ranchers standpoint explaining how each year cost cuts have to be made to live within the budget. Property taxes keep increasing and agricultural prices keep going down. He asks for a long term tax reform solution to fix what is broken. SB 195 gives a freeze which is an opportunity to look at the situation.

Andy Skinner, Local Businessman, says there are too many fees charged by City and Counties because of I-105. He insists the State of Montana must get taxes down to reasonable.

Al Kington, Land Use Consultant, Montana Tree Farm Association, gives written testimony **(EXHIBIT #3)**.

John Bloomquist, Montana Stockgrowers Association, explains the association conducted a survey recently of its members and one question asked was what are the two biggest concerns producers have. He reports market situation and property taxes were the producers main concerns.

Rep. Douglas Wagner, District 83, rises in reluctant support of SB 195. He says a strong signal is still coming from the people in Flathead County for the legislators to control government spending first and consider the taxes second. He states until a better proposal comes out of this legislation which we can rally around, this bill is a good start, however, the House can make this a better bill.

Dean Randash, NAPA Auto Parts in Helena and East Helena, presents **(EXHIBIT 4)**.

Del Schulbring, Broadwater Printing, urges passage of SB 195.

{Tape: 1; Side: B; Approx. Time Count: 30.4; Comments: None.}

David Owen, Montana Chamber of Commerce, says this bill allows the legislature in the middle of a very complex problem to send out a clear message that a solution will be found.

John Shontz, Montana Association of Realtors, notes the association supports this legislation and they stand ready to work with the Governor and the legislature to find a solution to a obvious problem. He asks that the Department of Revenue give data to the association as soon as possible in order for them to assist. **Mr. Shontz** explains Page 3, Line 10, of the bill creates dependence on current law.

Greg VanHorssen, Montana Housing Providers, supports SB 195 and is eager to participate in any discussions which might take place during the interim.

Loren Frank-Karn, Montana Farm Bureau, says this is one step towards tax reform and urges support of SB 195.

Ed Nelson, Homeowner and Retired Person, speaks in support of SB 195 and is relived that the legislature is handling this issue.

Angela Janccaro, Montana Mining Association, echoes support for this legislation.

{Tape: 1; Side: B; Approx. Time Count: 7.5; Comments: None.}

The following exhibits were sent-U.S. mail or by FAX to the Capitol:

Dale W. Williams, County Commissioner, Flathead County, (EXHIBIT 5).

Shirley and Dan Rasmussen, Stevensville, (EXHIBIT 6).

Larry L. Lautaret, Whitefish, (EXHIBIT 7).

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. DOROTHY ECK asks **SEN. HARP** if he will have other bills that will go along with this composing a comprehensive tax plan. **SEN. HARP** responds this is an interim proposal and with SB 211 and the MACo proposal all the ingredients will be in place. He insists as far as further study and input from the public all the cards are on the table.

SEN. FRED VAN VALKENBURG questions **Mick Robinson** in regard to how much has been invested in the reappraisal process just for the 1996 reappraisal. **Mr. Robinson** states the effort that has been expended has been going on for a four year period of time and this is the second reappraisal developed with the use of the computer assisted mass reappraisal system. He affirms the annual budget of the property assessment division is in the range of $13 million. **SEN. VAN VALKENBURG** asks **Mr. Robinson** what his department's assessment of court defensibility is if a freeze of all the reappraisals had been completed and someone said not all property is being reappraised at full market value. **Mr. Robinson** responds it certainly is a concern and he has had discussions with the department's chief legal counsel regarding this question. He states the Constitution requires that values be equalized. **SEN. VAN VALKENBURG** asks **Mr. Robinson** to remind him what the approximate margin was on the sales tax vote in 1993. **Mr. Robinson** relates he remembers very clearing it was a three to one vote.

Closing by Sponsor:

SEN. HARP thanks the DOR for working so hard to prepare the fiscal note for this bill. He gave a chronological history of Montana reappraisals. He asks government to stop reappraisals from taking effect for a period of two years and look at a long term solution for Montana's tax reform.

ADJOURNMENT:

SENATE TAXATION
DATE 1-24-97
EXHIBIT NO. 1
BILL NO. SB 195

SB 195 DELAY PROPERTY REAPPRAISAL
SPONSOR - SEN. HARP

Mr . Chairman and members of the committee, my name is Mick Robinson and I am here today representing Governor Racicot.

I would like to repeat two statements that were included in the Governor's State of the State Address. The governor indicated that "Clearly, the property tax situation has urgently seized our immediate attention and will not escape remediation." He went on to indicate that "We will come to grips with the projected and unacceptable property tax increases."

Those statements, as well as the targeting for tax relief of the $85 million of increased property taxes flowing to the state as a result of the 1997 reappraisal demonstrate, the governor's continued commitment toward fairness and equity in Montana's property tax system.

As you are all aware, Montana's property tax system is under attack on a number of fronts. One of those fronts involves the Montana Supreme Court challenge to the 1993 reappraisal, namely the Albright case. Another involves the national evolution toward competition in the telecommunications, electric and gas industries, which has led to the questioning of the fairness of Montana's heavy reliance on property tax revenues from those industries and the impact that those tax levels have on their ability to be competitive.

We must be willing to enter into a serious and objective discussion of the appropriate legislative response to property tax challenges. We must also keep in mind that there is no perfect solution to these challenges. Senate Bill 195 is one option that must be considered seriously. Although this piece of legislation is not our preferred, as our preferred

Delaying the reappraisal, ~~however~~, was not the avenue that we chose as our response to reappraisal. In the construction of the budget that was presented to this legislature, this administration chose to address the impact of reappraisal by reducing the statewide mills. This course was chosen for a couple of reasons. First, the variable that is normally available to governments when setting their budgets is the number of mills that are required to adequately fund expenditures. Second, the Montana Tax Policy Task Force, which was appointed jointly by the 1995 Legislature and the Governor, spent almost a year studying this very reappraisal issue and recommended an approach requiring all governments to reduce the number of mills as the appropriate response to reappraisal. We also recognize that

this approach is not perfect, but, we think it is certainly a worthwhile approach to be entered into the debate.

We are all searching for the right answer to a very complicated set of circumstances. Let us begin the process with a serious evaluation of Senate Bill 195.

On behalf of the governor, I would like to thank you for the opportunity to address this committee.

R·Y TIMBER, INC.

N. End of Maple Street • PO Drawer P • Townsend, MT 59644-1013 • Phone (406) 266-3111 • Fax (406) 266-3115

SENATE TAXATION
DATE 1-24-97
NO. 2
SB 195

Testimony on SB-195 (Senate Taxation Committee)

Mr. Chairman, members of the committee, My name is Ed Regan. I represent RY Timber Inc., a forest products company with sawmills in Livingston and Townsend. We employ 160 people at these two locations. Additionally, our company contracts out all its logging which results in another 150 jobs. We also own and manage approximately 50,000 acres of timber land in Montana.

I rise in support of SB-195.

A freeze on property taxes is needed at this time. Under the current re-appraisal our company is facing an increase of close to 126 % on timberland and a 20-30 % increase on our manufacturing sites. Senate Bill 195 is an interim measure that will provide property tax relief, while the legislature works towards a more comprehensive and equitable tax system for Montana.

Due to serious shortages of available timber throughout Montana and the Pacific Northwest, companies have been forced to pay much higher prices for the raw materials to keep our sawmills running. These increased costs along with having to compete with cheap lumber imports from Canada have forced many companies out of business. The last thing the timber industry needs is a big increase in our taxes.

As a state, Montana cannot afford to loose any more manufacturing jobs. Please remember the people who depend on these jobs and keep Montana's business climate economically viable. I urge your support for SB-195 and Thank You for the opportunity to be heard.

Ed Regan
Resource Manager
January 24, 1997

SENATE TAXATION
DATE 1-24-97
3
SB 195

Hearing Testimony SB-195
1/24/97

Mr. Chairman , members of the committee :

For the record , my name is Al Kington . I am a land use consultant residing in Helena and have been asked to appear before you by members of the Montana Tree Farm System.I have been an active member of this Statewide private forest landowners group for over thirty years. Our most recent involvement with this committee,concerned the enactment of a forest productivity tax,on private forestland throughout the State.We have had 3 years to monitor this system and am happy to report to the committee,that other than housekeeping changes to the original legislation,the method established to assess private forested lands,has performed well. I pass on our thanks to the members of this committee,that participated in that endeavor and for the fair play and support for that legislation.

We have reviewed SB 195 and feel that it does not jeaprodize the current method of determining forest land assessment,and offer support of this bill,with the understanding that all classes of property will be treated equally.

I appreciate the opportunity to share our views with the committee,and urge your support for passage of SB-195.

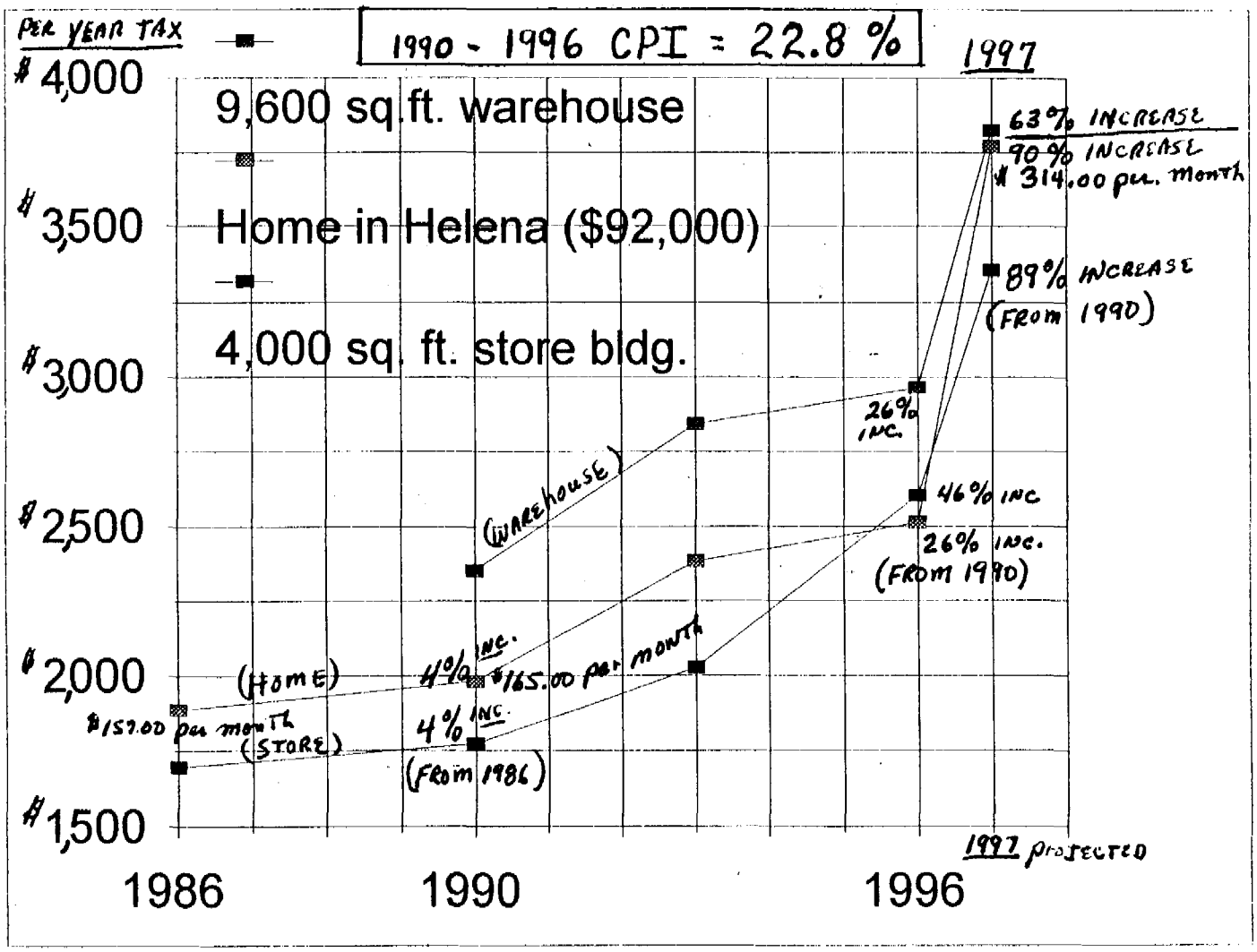
Thank you .

SENATE TAXATION
DATE 1-24-97
EXHIBIT NO. 4
BILL NO. SB 195

SB195
January 24, 1997

Mr. Chair, members of the committee, for the record my name is Dean Randash. I am own NAPA Auto Parts in Helena and East Helena, a warehouse in the industrial park, and my wife and I are homeowners in Helena. I rise in support of SB 195.

The following graph shows the property taxes and how they have increased over the past 10 years.



In 1986 this family home was taxed $157.00 per month; in 1990 - $165.00, a mere 4% increase; the projected taxes for 1997 are $314.00 per month or $3,768.00 per year, a 90% increase from 1990. Montana families can not pay this kind of cost of living increases either as rents or taxes like this and stay solvent.

It has been said that taxation is a barometer of social order. Will Montana show any restraints in taxing its citizens? Government taxing policies that are paternalistic and confiscatory are responsible for low productivity, slow economic growth, and a gradual erosion of individual freedom and self determination. SB 195 provides us with the respite necessary to take a critical look at our taxing policy's purpose and impact on each and every hard working Montana citizen. Please recommend a "do pass" on SB195.

Dean M. Randash NAPA Auto Parts

FLATHEAD COUNTY

Kalispell, Montana
FAX (406) 758-5861

SENATE TAXATION
DATE 1-24-97
EXHIBIT NO 5
SB195

TO:

DATE: 1/23/97

FAX #:

NAME: Hon. Gerry Devlin

LOCATION: Legislature

NO. OF PAGES (including cover sheet): Three

****

FROM:

NAME: Dale W. Williams

DEPT: County Commissioner

PHONE: (406) 758-5503

****

MESSAGE

Flathead County
Board of Commissioners

(406) 758-5503

Howard W. Gipe
Robert W. Watne
Dale W. Williams

January 23, 1997

Honorable Gerry Devlin
Members of the Committee

RE: Senate Bill 1956

We would like to endorse Senate Bill 195 and urge your passage.

We do so knowing full well that Senate Bill 195 is a bandaid where a tourniquet needs to be applied.

However, we cannot simply stand by and allow a 40%+ re-evaluation dictate the type of potential rise in property taxes that could ensue.

The 1992-93 re-evaluation in Flathead County produced a rise of over 17%, and less than four years later, another potential 40%+ rise is on the horizon which could potentially affect our property owners with a rise of nearly 60% in less than five years.

It should be obvious that very few, if any, households can withstand this constant and ever increasing bombardment. It devastates budgets, it disrupts long-term planning, it places extraordinary burdens on a family attempting to provide for their families well-being, and their ability to contribute to their communities well-being.

You are ultimately penalizing the few among us for the sake of the many that use us.

You must admit that major tax reform MUST BE REALIZED. You have had ten years since the advent of I-105 to tackle this every increased burden.

Isn't it time for a reform package that includes:

1) Elimination of property taxes; recognizing that it is grossly unfair and inequitable.
2) Tax equability through a sale tax that has no exceptions, will enhance more participants, and ultimately is based upon consumption rather than ownership.

Hon. Gerry Devlin
Members of the Committee
January 23, 1997
Page Two

DO NOT WAIT until 2000, when we are faced with this scenario again. Pass Senate Bill 195 and get on with tax reform.

Sincerely,

Dale W. Williams
District 1
County Board of Commissioners

DWW:ecn

cc: Senator Bob DePratu

SENATE TAXATION
DATE 1-24-97
EXHIBIT 6
SB195

To: Sen. Devlin

868 Willoughby Rd
Stevensville, Mt. 59870
January 23, 1997

Senate Taxation Committee:
Senate Bill 195

I apologize for my salutation. I'm not sure how to address this letter, but I want the taxation committee to know of my thoughts on the issue of property taxes.

Senate Bill 195: IS THIS THE BEST YOU CAN DO???? You need to stop the increases expected in 1997, but freezing them at 1996 level does not seem to me to be the answer. County governments will just raise the number of mills. Stop doing "stop gap" action. Take the "bull by the horns" and MASSIVELY CUT THE PROPERTY TAXES!

Economics 101 has not been learned correctly. If you will let the people keep more of their own money, to make their own decisions for use, you would see the economy grow, welfare rolls would fall, more moms could stay home with their children, crime would decress. It seems to me many problems would be answered.

Whatever MIGHT happen may be unknown, but this much I do know—WE CANNOT CONTINUE TO PAY THESE PROPERTY TAXES AND KEEP OUR BUSINESSES SOLVENT. Therefore, freezing the tax at 1996 level will simply not be adequate. There has to be a definite and mearsurable decrease in property taxes!

Sincerely,
Shirley Rasmussen Dan Rasmussen
Dan and Shirley Rasmussen

#1
SENATE TAXATION
1-24-97
EXHIBIT NO. 7
BILL NO. SB195

170 East Blanchard Lake Road
Whitefish, Montana 59937
406-862-2336

Senator Gerry Devlin, Chairman
Taxation Committee

Dear Senator Devlin,

I am reluctant to contribute to what must be a flood of paperwork to you and your committee, but I am very concerned about the issue of property taxes, and would ask that you share this information with your committee during the discussion of this issue.

Everyone seems to realize that property taxes are a serious problem. However, the problem is much deeper than that they are "too high." The real issue cuts to the heart of liberty and personal property.

Property taxes fundamentally nullify private property rights. The concept of property taxes posits the theory that the state "owns" everything, and that the citizens may "rent" property from the state. As long as the citizen pays the proper rent, the state grants permission for the citizen to maintain the land. If the state has the fundamental right to "tax" property, then the amount is academic. The power to tax is the power to control. Today some folks are being crowded off of their property because of "high" taxes. The deeper issue, however, is not the amount of taxes, but the concept of genuine private property free from government interference.

Government must be paid for. We could use less of it, but it must be funded. One proper means of taxation could be an "income" type tax, similar to the Biblical tithe, where each citizen pays a proportion of earnings or increase to support the government. A progressive graduated tax is not good, as it tends to stifle production. To be just, each citizen should pay a flat per cent of income. Those with more would still pay more, but it would not penalize productivity.

Another possibility for a just tax would be a sales tax. The problem with current sales tax talk is that it appears to be merely an added tax not a complete replacement. I would not favor a sales tax at all unless property taxes were eliminated.

To address real tax reform we need to fundamentally reform the system, not merely give it a short term fix. Freezing the property taxes at the current level is a band aid approach that does not address the fundamental issues. It may have an appeal as a short term emergency fix, and perhaps should be passed on that basis, but I urge you to consider the fundamental issue of property taxes and sponsor real meaningful reform that would remove the government from "owning" private property. This would strike a tremendous blow for real liberty and true "private property" rights.

Thank you for your time and consideration.

Sincerely,

Larry L. Lautaret, Whitefish

MONTANA SENATE
1997 LEGISLATURE
TAXATION COMMITTEE

SB 195

ROLL CALL

DATE 1-24-97

NAME	PRESENT	ABSENT	EXCUSED
MACK COLE	✓		
BOB DE PRATU	✓		
DOROTHY ECK	✓		
BILL GLASER	✓		
MIKE SPRAGUE	✓		
BARRY "SPOOK" STANG	✓		
FRED VAN VALKENBURG	✓		
MIKE FOSTER, VICE CHAIRMAN	✓		
GERRY DEVLIN, CHAIRMAN	✓		

SEN:1997
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CS-09

MONTANA SENATE
1997 LEGISLATURE
TAXATION COMMITTEE
ROLL CALL VOTE

DATE 1-30-97 BILL NO. SB 195 NUMBER 1

MOTION: 6 - 3 Amendment Failed

NAME	AYE	NO
GERRY DEVLIN, CHAIRMAN		✓
MACK COLE		✓
BOB DE PRATU		✓
DOROTHY ECK	✓	
BILL GLASER		✓
MIKE SPRAGUE		✓
BARRY "SPOOK" STANG	✓	
FRED VAN VALKENBURG	✓	
MIKE FOSTER, VICE CHAIRMAN		✓

SEN:1997
wp:rlclvote.man
CS-11

DATE 1-24-97

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB195

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
		~~SB~~		
ANDY SKINNER	SELF	SB195	X	
DEAN RANDASH	NAPA AUTO PARTS	SB195	X	
JEFF WOLFE	SELF	SB195	X	
Ed Nelson	Self	SB195	X	
John F. Baucus	MT Wool Growers / self	SB 195	X	
John Blamquist	MT Stockgrowers	SB195	X	
ED REGAN	RY TIMBER	SB195	X	
Del Schubring	Broadwater Printing	SB195	X	
Al Kington	Mt. Tree Farm Com	SB195	X	
Dennis Burr	MT Taxpayers	SB195	✓	
Greg VanHorse	Montana Housing Provide	SB195	✓	
Joe Upshaw	Self	SB195	✓	
Bill Verwolf	City of Helena	SB195		✓

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

DATE 1-24-97

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB195

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Oppose
Laurie Koutnik	Christian Coalition/MT	SB195	✓	
David Owen	MT Chamber Commerce	SB 195	✓	
[illegible]	MT Mining Assn	SB 195	✓	
Lorna Frank-KARN	MT. FARM Bureau	195	✓	
Chandler Brooks	Bigs Chamber	195	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

EXECUTIVE ACTION ON SB 195

{Tape: 1; Side: B; Approx. Time Count: 31.4; Comments: None.}

MOTION: SEN. MIKE FOSTER MOVES SB 195 DO PASS.

MOTION: SEN. FRED VAN VALKENBURG MOVES THE AMENDMENTS

EXPLANATION OF AMENDMENTS **EXHIBIT 1**
The amendments put into place a back-up plan in the event the freeze is declared invalid by a court. Property taxes are not going to stay neutral - this helps equalize reappraised values. This protects those who are paying the taxes, which should be our foremost objective.

CHAIRMAN GERRY DEVLIN asks how the tax rate number was identified. **Jeff Martin** explains the tax rate was calculated by the Department of Revenue to make the property tax rate on Class IV revenue-neutral with respect to reappraisal statewide.

SEN. DOROTHY ECK agrees with **SEN. VAN VALKENBURG** that we need to address the probability that the first proposal was unconstitutional. However, she feels it is bad policy to ask an interim committee to spend as much time as they spent and not even consider their recommendations. Believes that recommendation is a better solution than any of the others we're looking at; would prefer that the Committee spend some time looking at what the alternatives are to addressing the problem of reappraisal. **CHAIRMAN DEVLIN** responds that had they known the tremendous increases were going to show up for reappraisal they would have spent most of the time doing that. **SEN. ECK** counters that proposal, while it did not address the changes in reappraisal, did pretty well freeze the amount of the tax so that from county to county, from city to county to school district, no jurisdiction could increase their tax; they would have to reduce their mills. Should review that proposal as well as the amendment we have before us.

SEN. MACK COLE asks if this amendment would only go into effect if we had a court case. **SEN. VAN VALKENBURG** affirms, stating the operative language is on page 3 of the amendment, #8.

SEN. WILLIAM GLASER indicates his opposition of the amendment.

SEN. MIKE FOSTER is also opposing the amendment; he believes **SEN. JOHN HARP** has brought forth the best approach. However, he commends **SEN. VAN VALKENBURG** for addressing the issue.

CHAIRMAN DEVLIN will resist the motion as it has the potential to break about half the counties in the east. We can't take the chance of tax rate reduction in those places.

SEN. BARRY STANG supports the amendment; he believes it's important we have a contingency plan. This plan would force people to vote for a sales tax. He also talks about his amendment which would put a task force in place. **Jeff Martin** has suggested this is not the appropriate place for requesting a task force. **SEN. STANG** says he will continue to pursue the task force options.

CHAIRMAN DEVLIN points out this is a short-term solution and that there will be a long-term plan coming. He also reminds the Committee that any plan, short or long, will come up before the voters.

{Tape: 2; Side: A; Approx. Time Count: 0; Comments: Beginning of Tape 2, 9:30 a.m..}

SEN. DOROTHY ECK comments the people in her district and the people in Helena with whom she has spoken expect us to come up with ways of reducing the tax mills. At the state level we could in some way or another reduce the statewide mills. That's the responsible way of dealing with this. She agrees with **SEN. STANG**; she is hearing from people that once again, the Legislature is trying to put the people in a position where they have to accept a sales tax. We need to provide trust in our county officials to reduce their mills to make up for the increase in valuation. We can do the same thing at the state level.

CHAIRMAN DEVLIN assures **SEN. ECK** this is not an attempt to blackmail people into a sales tax.

SEN. MIKE FOSTER states the approach of reducing mills is another approach, but that approach is volatile between the counties. Sen. Harp's bill minimizes that impact. The inflammatory language, such as using the term "blackmail," is just trying to get our eye off the ball. Our focus should be on property taxes. Remember, there were no opponents who came forth to testify in opposition to this bill.

SEN. MACK COLE looks at SB 195 as an extension of the old appraisal; as long as it's temporary he'll go along with the bill. However, he does not support the amendment because there are such wide fluctuations.

SEN. VAN VALKENBURG does not oppose the method in SB 195 and believes the courts will not uphold a freeze. We have a Constitutional Mandate to equalize property in the State of Montana. We need to put a backup plan in place in case reappraisal values go into effect. He suggests we figure out the total losses to smaller counties and see how we can fill that in, at least on a temporary basis. He is concerned about the "blackmail" issue. This amendment is a valuable contribution to the process; it's offered in good faith, not as a substitute to

what **SEN. HARP** is proposing; it's offered as an additional backup to ensure these property taxes increases do not go into effect.

VOTE: MOTION FAILED 3-6 with SEN. ECK, SEN. STANG and SEN. VAN VALKENBURG voting yes.

SEN. ECK comments the people didn't get up in opposition to this bill because it was a "done deal."

SEN. WILLIAM GLASER speaks from the point of view of Yellowstone County, saying they are the area that would benefit as taxpayers if we did a snip, tuck and nip type proposal and kicked it out here. But the bottom line is we don't live in a state by ourselves; we have **SEN. DEVLIN** here who has mixed emotions and we have Missoula that is a loser; we have Big Fork that's a loser and we have neighbors who are losers. This is probably not going to meet Constitutional Muster in the end, but we have a compelling state interest to back this off, to give us time as a Legislature to look at the issues.

SEN. VAN VALKENBURG says we need to spend time on this and try to figure out a long-term solution, don't need to act today. He will vote for the bill right now, but will offer his amendment again on the Senate Floor and will try to make a more compelling case for it at the time.

CHAIRMAN DEVLIN comments the tax increases will go in if we don't do anything and any long-term solution will end up on the ballot to the people.

VOTE: MOTION THAT SB 195 DO PASS CARRIED 8-1 with SEN. ECK voting no.

EXECUTIVE ACTION ON SB 184

{Tape: 2; Side: A; Approx. Time Count: 20.7; Comments: None.}

MOTION: SEN. MIKE FOSTER MOVED SB 184 DO PASS.

SEN. FOSTER indicates young parents need help with child care and dependent care expenses. This bill makes Montana's income tax system consistent with the federal tax system by making it an income tax credit rather than an income tax deduction. The fiscal note impact is about $2 million per year of the biennium. The bill is written at 100% of the federal credit.

CHAIRMAN GERRY DEVLIN asks **SEN. FOSTER** if there is a means test in this bill. **SEN. FOSTER** says there is a formula and the amount of the credit depends on what your income is. The amount of the credit declines as the income increases. There is no phase-out. **CHAIRMAN DEVLIN** inquires if parents who don't have much money and stay home and take care of their children (not using day care) get the credit. **SEN. FOSTER** says there is no credit for those

EXHIBIT 1
DATE 1/28/97
SB 195

Amendments to Senate Bill No. 195
First Reading Copy

Requested by Senator Van Valkenburg
For the Committee on Taxation

Prepared by Jeff Martin
January 29, 1997

1. Title, line 9.
Following: "1996;"
Insert: "PROVIDING THAT THE TAX RATE ON CLASS FOUR PROPERTY BE REDUCED FROM 3.86 PERCENT TO 2.82 PERCENT ON THE OCCURRENCE OF A CONTINGENCY;"

2. Title, line 10.
Following: "SECTIONS"
Insert: "15-6-134,"

3. Title, line 11.
Strike: "AN IMMEDIATE"
Strike: "DATE"
Insert: "DATES"
Strike: "A"

4. Title, line 12.
Strike: "DATE"
Insert: "DATES"

5. Page 1.
Following: line 27
Insert: "**Section 1.** Section 15-6-134, MCA, is amended to read:

"**15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection ~~(c)~~ (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of

at least nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a), (1)(b), and (1)(e) is taxed at ~~3.86%~~ 2.82% of its market value.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ 2.82% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property.""

Renumber: subsequent sections

6. Page 4.

Following: line 23

Insert: "NEW SECTION. **Section 7. {standard} Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications."

Renumber: subsequent section

7. Page 4, line 25.
Strike: "[This act]"
Insert: "Except as provided in [section 9], [this act]"

8. Page 4.
Following: line 27
Insert: "NEW SECTION. **Section 9. Contingent effective date -- contingent applicability.** If a final court decision determines that [sections 2 through 6] are invalid, then [section 1] is effective on the date that [sections 2 through 6] are invalid and applies to the tax years that [sections 2 through 6] are inapplicable."

SENATE STANDING COMMITTEE REPORT

January 30, 1997

MR. PRESIDENT:

We, your committee on Taxation having had under consideration SB 195 (first reading copy -- white), respectfully report that SB 195 do pass.

Signed: _____
Senator Gerry Devlin, Chair

Amd. Coord.
Sec. of Senate

221123SC.SRF

MONTANA SENATE
1997 LEGISLATURE
TAXATION COMMITTEE
ROLL CALL VOTE

DATE 1-30-97 BILL NO. SB 195 NUMBER 1

MOTION: 6 - 3 Amendment Failed

NAME	AYE	NO
GERRY DEVLIN, CHAIRMAN		✓
MACK COLE		✓
BOB DE PRATU		✓
DOROTHY ECK	✓	
BILL GLASER		✓
MIKE SPRAGUE		✓
BARRY "SPOOK" STANG	✓	
FRED VAN VALKENBURG	✓	
MIKE FOSTER, VICE CHAIRMAN		✓

SEN:1997
wp:rlclvote.man
CS-11

MONTANA SENATE
1997 LEGISLATURE
TAXATION COMMITTEE
ROLL CALL VOTE

DATE 1-30-97 BILL NO. 195 NUMBER 2

MOTION: 8-1 SB 195 D.P.

NAME	AYE	NO
GERRY DEVLIN, CHAIRMAN	✓	
MACK COLE	✓	
BOB DE PRATU	✓	
DOROTHY ECK		✓
BILL GLASER	✓	
MIKE SPRAGUE	✓	
BARRY "SPOOK" STANG	✓	
FRED VAN VALKENBURG	✓	
MIKE FOSTER, VICE CHAIRMAN	✓	

SEN:1997
wp:rlclvote.man
CS-11

EXHIBIT 1
DATE 2/20/97
SB 195

Hearing Testimony SB-195

House Taxation 2/20/97

Mr. Chairman, Members of the Committee:

For the record, my name is Al Kington. I am a land use consultant residing in Helena and have been asked to appear before you by members of the Montana Tree Farm System. I have been an active member of this state-wide private forest landowners group for over thirty years. Our most recent involvement with this committee concerned the enactment of a forest productivity tax on private forestland throughout the state. We have had 3 years to monitor this system and I am happy to report to the committee that other than housekeeping changes to the original legislation, the method established to assess private forested lands has performed well. I pass on our "Thanks" to the members of this committee that participated in that endeavor and for the fair play and support for that legislation.

We have reviewed SB-195 and feel that it does not jeapordize the current method of determining forest land assessment, and we offer support of this bill with the understanding that all classes of property will be treated equally.

I appreciate the opportunity to share our views with the committee, and I urge your support for passage of SB-195.

Thank you.

EXHIBIT 2
DATE 2/20/97
SB 195

HOW THE ISSUE WILL APPEAR ON THE BALLOT:

LEGISLATIVE REFERENDUM NO. 100

FISCAL NOTE

THIS MEASURE WOULD GENERATE APPROXIMATELY $2.9 MILLION DURING A NORMAL OPERATING YEAR. THIS REVENUE WILL BE DISTRIBUTED FOR PUBLIC SCHOOL RETIREMENT EQUALIZATION AID TO REDUCE MANDATORY PROPERTY TAX LEVIES. IT WILL TAKE 8 MONTHS FOR A LOTTERY TO BE FULLY OPERATIONAL AFTER THE MEASURE IS APPROVED.

☐ FOR establishing a state lottery.

☐ AGAINST establishing a state lottery.

NOTE: The ballot title was written by the Legislature and the explanatory statement was written by the Attorney General as required by state law. The complete text of Legislative Referendum No. 100 appears on pages 17 - 20.

EXHIBIT
DATE
SB

HOW THE ISSUE WILL APPEAR ON THE BALLOT:

INITIATIVE NO. 105

FISCAL NOTE

THIS MEASURE WOULD REDUCE STATEWIDE PROPERTY TAX COLLECTIONS BY APPROXIMATELY $30 MILLION DURING THE 1988-89 BIENNIUM FOR PROPERTY IN PROTECTED CLASSES. ALTERNATELY, UNPROTECTED PROPERTY MAY PAY INCREASED TAXES AND/OR GOVERNMENT SERVICES MAY BE REDUCED.

☐ FOR limiting certain property taxes to 1986 levels unless the legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources.

☐ AGAINST limiting certain property taxes to 1986 levels unless the legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources.

NOTE: The ballot title and explanatory statement was written by the Attorney General as required by state law. The complete text of Initiative No. 105 appears on page 23.

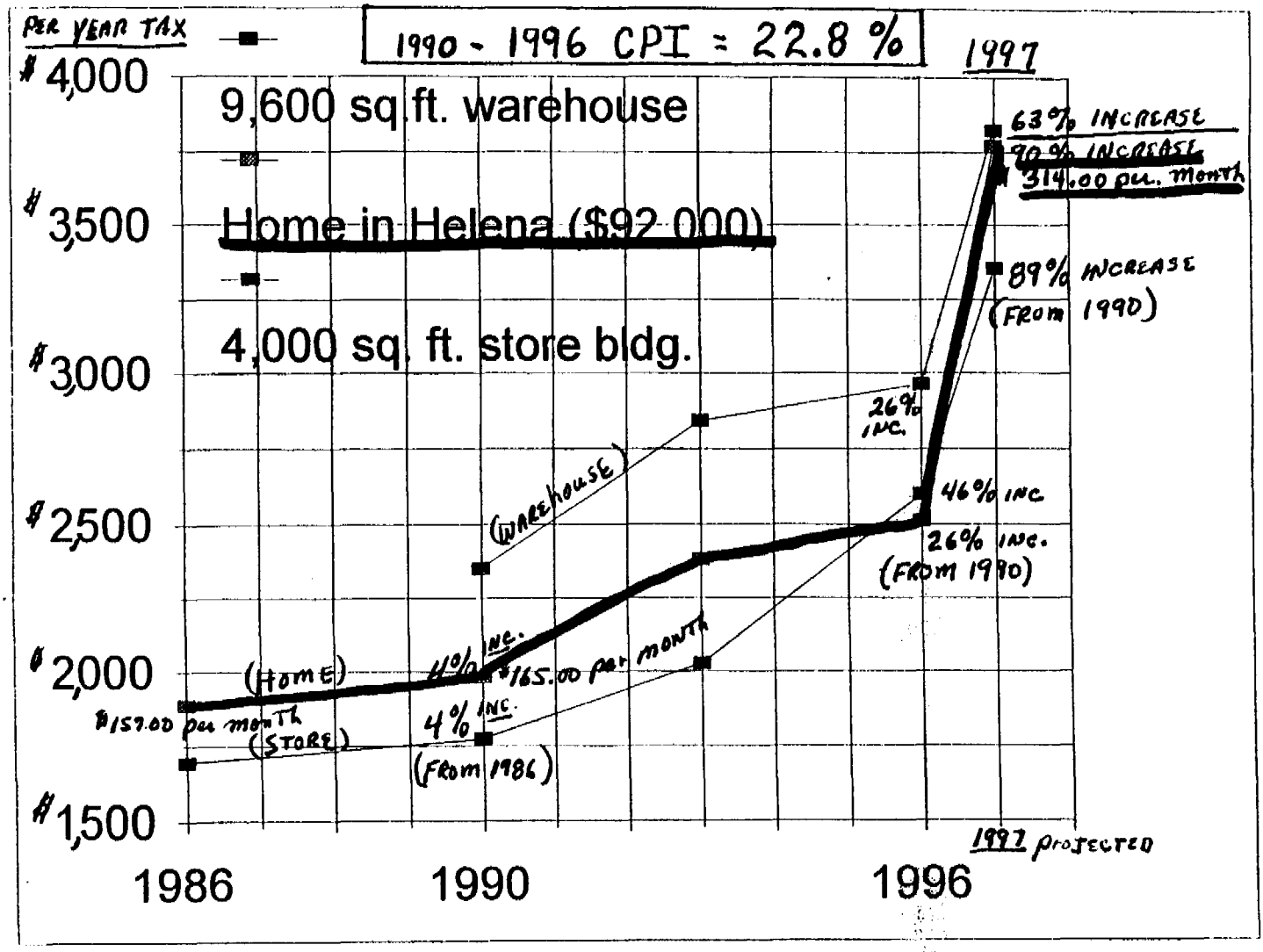
Skeen

EXHIBIT 3
DATE 2/20/97
SB 195

SB195
February 20, 1997

Mr. Chair, members of the committee, for the record my name is Dean Randash. I own NAPA Auto Parts in Helena and East Helena, a warehouse in the industrial park, and my wife and I are homeowners in Helena. I rise in support of SB 195.

The following graph shows the property taxes and how they have increased over the past 10 years.



In 1986 this home was taxed $157.00 per month; in 1990 - $165.00, a mere 4% increase; the projected taxes for 1997 are $314.00 per month or $3,768.00 per year, a 90% increase from 1990. In comparison the consumer price index increased 22.8%. Hard working Montana families do not have the discressionary income to pay for this kind of cost of living increase either as rents or taxes. NOTE: The combined taxes on this home, warehouse and small store building is just under $1,000.00 per month.

It has been said that taxation is a barometer of social order. Will Montana show any restraints in taxing its citizens? Government taxing policies that are paternalistic and confiscatory are responsible for low productivity, slow economic growth, and a gradual erosion of individual freedom and self determination. SB 195 provides us with the respite necessary to take a critical look at our taxing policy's purpose and impact on each and every hard working Montana citizen. Please recommend a "**DO PASS**" on **SB195**.

Dean M. Randash NAPA Auto Parts

Post-it® Fax Note 7672

To Charles Brooks — No. of Pages 1 — Today's Date 2/19 — Time 10:27A

Company — From Sheryl Commissioners

Location — Dept. Charge

Fax # — Telephone # — Fax # — Telephone #

Comments: Charles - I faxed this to the Committee - Could you please make sure they got it? Thanks

Original Disposition: ☐ Destroy ☐ Return ☐ Call for pickup

EXHIBIT 4A
DATE 2/20/97
SB 195

County of Yellowstone

ASSESSOR

BILLINGS, MONTANA
59101

Feb. 19, 1997

Members of House Taxation Committee
Capitol Station
Helena, Mt. 59620

Dear Madam/Gentlemen:

On Feb. 20th you will debate SENATE BILL # 195. This is not a prudent remedy to rising property taxes; and in fact, may be a breach of the Montana Constitution which mandates that all property be assessed at 100% of true market value.

This legislation is not a property tax freeze but a valuation freeze and will do nothing to control taxes. It will however, perpetuate the inequities within the current appraisal cycle (1993-1996); and, in addition create further inequity by "freezing" all classes of property. As an example, the Conoco Refinery in Yellowstone County is currently appraised at $247M. A substantial portion, or $150M, of this appraisal is manufacturing machinery and equipment which is usually depreciated annually using a cost approach to value. A severe inequity will occur with this taxpayer if their value is "frozen" at $247M until the year 2000!

The appraised value of a property is only a one-third component of the complete property tax formula. The tax rate and the mill levy applied are the other two components. It is more appropriate to limit tax increases by adjustment of the tax rate or the reduction of levies.

Sincerely,

MAX R. LENINGTON
YELLOWSTONE COUNTY ASSESSOR

ml/freeze

Post-it® Fax Note 7672 | No. of Pages 5 | Today's Date 2/6 | Time

To Charles Brooks | From Sheryl for Max Lenington.

Company | Company

Location | Location | Dept. Charge

Fax # | Telephone # | Fax # | Telephone #

Comments | Original Disposition: ☐ Destroy ☐ Return ☐ Call for pickup

Charles - Could you please see that Mike Mathew gets a copy of this also. Max would like you and/or Mike to share it with the Yellowstone County Delegation. Thanks

EXHIBIT 4-B
DATE 2/20/97
SB 195

County of Yellowstone

ASSESSOR

BILLINGS, MONTANA
59101

Feb. 6, 1997

HB-195

The Billings Gazette
Editorial Desk
Billings, Mt. 59101

Gentlemen:

As we all know, the Montana Legislature is now in session. A piece of legislation before that assembly is Senate Bill #195 which is a property valuation freeze. This is proposed not only to alleviate rising property taxes in Montana, but also because it somehow appears to be legislatively and politically correct. However, this is not a prudent solution to rising property taxes; and, in fact, flies in the face of the Montana Constitution which mandates that all property be assessed at 100% of true market value. That is the purpose of the pending reappraisal.

Increases in market value do not automatically correspond to increased property taxes. The appraised value of a property is only a one-third component of the complete property tax formula. The tax rate (currently at 3.86%), and the spending (mill levy) requests of the taxing jurisdictions (schools, counties, cities & towns) are the other two components. With this in mind, it is not appropriate to "freeze" property tax appraisals; but rather adjust property tax rates, reduce spending, or devise alternative funding methods.

By implementation of a property valuation freeze, we not only perpetuate the inequities within the current appraisal cycle (1993-1996); but will make an inordinate and irresponsible shift in property taxes from the affluent under-valued properties of Western Montana to the less affluent and possibly over-valued properties of Eastern Montana. This is just not acceptable! Accurate and current property appraisals are the instruments that keep a property tax system fair and equitable. In addition, a property valuation freeze on all classes of taxable properties creates other inequities. As an example, the Conoco Refinery in Yellowstone County is currently appraised at $247M. A substantial portion, or $150M, of this appraisal is manufacturing machinery and equipment which is depreciated annually using a cost approach to value. A severe inequity will occur with this taxpayer if their value is "frozen" until the year 2000 at $247M. This is just one of many inequities that this legislation will propagate.

I will reiterate again that this proposal is a valuation freeze and NOT a tax freeze. Certain property taxes in Montana could continue to rise under this legislation. Conversely, cities, towns & counties tax revenues are still under I-105, the property tax freeze of 1986. Since the funding of public education is the "cookie monster" among taxing entities, and since education funding has circumvented I-105, taxes in all likelihood will increase with or without a valuation freeze or a reappraisal. As long as property owners in Montana are conscripted to bear the entire brunt of public education funding there will be no decline in property taxes. However, the appraised value of all properties must be as fair, equitable and current as we can make them.

Sincerely,

MAX R. LENINGTON
YELLOWSTONE COUNTY ASSESSOR

ml/freeze

Problems and Misconceptions Associated with Freezing Property Values at 1996 Levels

Implementation Problems

- Delaying the implementation of this reappraisal would make the increase in value even greater when the next reappraisal is implemented.
- The last legislature approved a shorter tax cycle to get away from the problems caused by large increases in property values going on the tax roles.
- Millions of dollars spent over last four years to reappraise property would be wasted.
- Recreating 1996 values would be time consuming and result in inaccurate property records. We could not accurately recreate the 1996 record with existing resources.
- If we work from the 1997 record that includes the new construction that has occurred, we will have the problem of changing the new building codes that were added back to the old codes. Were would also have to change neighborhood designations, CDU ratings, and construction grades back to the old codes.
- If we use the 1996 record that includes the old building and neighborhood codes, CDU's, and grades, we would have a problem identifying the new construction that has been gathered since then.
- Recreating 1996 values could not be accomplished until September or October which would not give the city, county, and state enough time to set their mill levies before tax bills have to be mailed.
- If tax billing is delayed, it could lead to a fiscal crisis within local government. There would be no revenue to pay local government payroll and operating expenses.

Personal Property Values

- Freezing personal property values would lead to numerous law suits. If annual depreciation is not applied to business machinery and equipment, commercial property owners, farmers, and ranchers would be forced to pay taxes on inflated values.
- Mobile homes that have moved since the first of the year, all trailers, trucks over one ton, equipment mounted on vehicles, and certain heavy equipment have already payed their property taxes based on the new values.
- Taxes already collected that are based on new values would have to be refunded and/or rebilled. This would be very difficult, time consuming, and costly to do.

Real Property Values

- Historically, property values have increased over time. Typically most people like to see their investment in real estate increase in value. Therefore, it is not unusual or unexpected that reappraisal produced higher property values.
- Historically, property taxes have not increased at any where near the rate of property values. Between 1968 and 1994 taxes on residential property have increased about 1.4% per year, while property values have increased about 4% per year.

- Accurate property values are the only thing that keeps the property tax system fair and equitable.
- It is a myth that increases in property value automatically lead to an increase in property taxes.

Equity Issues

- The property tax is based on the premise that the demand for local government services is proportional to the value of the property that a person owns.
- An accurate appraisal provides an equitable means of distributing the total taxes levied by the city, county, or school district. Although the reappraisal of property does not increase the overall level of taxation, it can redistribute the tax burden by property type and location.
- The property tax is not based on ones ability to pay, but that problem can be handled with tax abatements for low income individuals.
- Delaying the reappraisal defeats the whole purpose of having a value based system of property taxation.
- Delaying the reappraisal puts more of the tax burden on the economically depressed or lagging portions of the state.
- Shifts in the property tax burden to residential property has largely been caused by reductions in personal property tax rates on business machinery and equipment, reclassification of commercial property to a lower taxable rate, and business property tax incentives.
- Property tax increases are largely due to increases of the cost of doing business, unfunded mandates imposed by the state and federal government, and voter approved special levies for schools, mass transit, libraries, and public improvements.

Relationship between Value and Taxes

- Increasing values are not the problem with or the cause of increasing property taxes.
- Therefore, freezing property values would not achieve the goal of limiting increases in taxes.
- There are three parts to a tax bill calculation - the market value, the tax rate, and the mill levy. The market value and tax rate determine the distribution of the total tax levy within a jurisdiction. The mill levy is set by the local elected officials to raise the revenue needed to fund the budget that is established.
- Example:
  - The total market value in the county remains at one billion dollars ($1,000,000,000).
  - The county budget increases from fifteen million dollars ($15,000,000) to seventeen million five hundred thousand dollars ($17,500,000).
  - The taxable value of property remains at 3.86% of market value.

	Year 1	Year 2
Market Value	$1,000,000,000	$1,000,000,000
Tax Rate	X 3.86%	X 3.86%
Taxable Value	$ 38,600,000	$ 38,600,000
Mill Levy	X .3886010	X .4533679
Tax Levy	$ 15,000,000	$ 17,500,000

- Even though the value stays the same, the county can increase the mill levy to raise the additional amount of revenue needed to fund their budget.

EXHIBIT 5
DATE 2/20/97
SB 195

S.B 195

Yellowstone County has to oppose S.B 195 since it does nothing to adjust statewide mills. This is the issue that creates inequity.

It also makes a possible correction or change in appraisal methods more difficult to implement at a future date since there is no indication that economic conditions that have created the current variances are changing.

Senator Stang has SB 319 coming forward that does adjust the 95 mills and offers protection for excessive increases in local levies. Yellowstone County sees that as a much more equitable approach and will continue to support that bill.

Mike Mathew
Yellowstone County
Commissioner

HEARING ON SB 195

Opening Statement by Sponsor:

Sen. John Harp, Senate District 42, opened the hearing on SB 195, a bill which would delay the current property reappraisal. *{Tape: 1; Side: A; Approx. Time Count: 1.7.}*

Proponents' Testimony:

Al Kington, Montana Tree Farm System. **EXHIBIT 1.** *{Tape: 1; Side: A; Approx. Time Count: 14.7.}*

Mick Robinson, Governor's Office. *{Tape: 1; Side: A; Approx. Time Count: 16.3.}*

Dennis Burr, Montana Taxpayers Association. *{Tape: 1; Side: A; Approx. Time Count: 20.8.}*

Andy Skinner, citizen. **EXHIBIT 2.** *{Tape: 1; Side: a; Approx. Time Count: 27.2.}*

Dean Randash, property owner. **EXHIBIT 3.** *{Tape: 1; Side: A; Approx. Time Count: 30.4.}*

David Owen, Montana Chamber of Commerce. *{Tape: 1; Side: A; Approx. Time Count: 33.6.}*

Riley Johnson, Association of Independent Business. *{Tape: 1; Side: A; Approx. Time Count: 34.5.}*

John Baucus, Montana Woolgrowers. *{Tape: 1; Side: A; Approx. Time Count: 35.7.}*

Jim Peterson, Montana Stockgrowers. *{Tape: 1; Side: A; Approx. Time Count: 39.7.}*

John Schontz, Montana Realtors Association. *{Tape: 1; Side: A; Approx. Time Count: 42.2.}*

Don Allen, Montana Wood Products. *{Tape: 1; Side: B; Approx. Time Count: 0.1.}*

Ronda Carpenter, Montana Housing Providers. *{Tape: 1; Side: B; Approx. Time Count: 2.1.}*

Roger Hagan, homeowner. *{Tape: 1; Side: B; Approx. Time Count: 2.6.}*

Rep. John Mercer, House District 74, Speaker of the House. *{Tape: 1; Side: B; Approx. Time Count: 3.6.}*

Opponents' Testimony:

Charles Brooks, representing Billings Chamber of Commerce and Yellowstone County Commissioners. **EXHIBIT 4a AND 4b.** Mr. Brooks also presented a statement from Mike Mathew, Yellowstone County Commissioner. **EXHIBIT 5.** *{Tape: 1; Side: b; Approx. Time Count: 9.6.}*

Informational Testimony:

None.

Questions From Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Count: 15.5; Comments: Questions continued on Tape 2 A.}

Closing by Sponsor:

Senator Harp closed. *{Tape: 2; Side: A; Approx. Time Count: 28.2.}*

HEARING ON HB 537

Opening Statement by Sponsor:

Rep. Marian Hanson, House District 1, opened the hearing on HB 537. The bill provides for distribution of oil and gas taxes to municipalities based on increased production. **EXHIBIT 6 and 7.** *{Tape: 2; Side: A; Approx. Time Count: 32.7.}*

Proponents' Testimony:

Alec Hanson, League of Cities and Towns. *{Tape: 2; Side: A; Approx. Time Count: 35.7.}*

Kevin Dukart, City of Baker. *{Tape: 2; Side: A; Approx. Time Count: 41.3.}*

Randy Ketterling, Chief of Police, Baker. *{Tape: 2; Side: A; Approx. Time Count: 43.0.}*

Don Rieger, Fallon County Commissioner. *{Tape: 2; Side: B; Approx. Time Count: 0.7.}*

Carter Christiansen, resident, Fallon County. *{Tape: 2; Side: B Approx. Time Count: 2.0.}*

Tom Daubert, Montana Association of Oil, Gas and Coal Counties. **EXHIBIT 8.** *{Tape: 2; Side: B; Approx. Time Count: 3.3.}*

Gloria Pladichuk, Richland Development. *{Tape: 2; Side: B; Approx. Time Count: 7.2.}*

HOUSE TAXATION COMMITTEE

ROLL CALL

DATE OF MEETING: February 20, 1997

Name	Present	Absent	Excused
Rep. Peggy Arnott	✓		
Rep. Paul Bankhead	✓		
Rep. John Bohlinger	✓		
Rep. Bill Carey	✓		
Rep. Alvin Ellis, Jr.	✓		
Rep. Marian Hanson	✓		
Rep. Hal Harper	✓		
Rep. Dan Harrington	✓		
Rep. Rick Jore	✓		
Rep. Scott J. Orr	✓		
Rep. Bob Raney	✓		
Rep. Bob Ream	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Robert Story	✓		
Rep. Richard Simpkins	✓		
Rep. Emily Swanson	✓		
Rep. Lila Taylor	✓		
Rep. Jack Wells	✓		
Chairman Chase Hibbard	✓		

VISITOR REGISTER

HOUSE TAXATION COMMITTEE

DATE: 2/20/97

BILL NO: SB 195 SPONSOR: Sen. Harp

NAME AND ADDRESS (PLEASE PRINT)	REPRESENTING	TYPE OF WITNESS		
		Informational	Support	Oppose
Charles R. Brooks	Yellowstone County / Billings Chamber			✓
DEAN RANDASH	NAPA AUTO PARTS		✓	
ANDY SKINNER	SELF		✓	
Al Kingston	Mont Tree Farm Coop		✓	
John Baucus	self / MT Wool Growers		✓	
Jim Peterson	MT. Stockgrowers		✓	
ROGER A. HAGAN 1224 STUART ST Helena, MT	Self		✓	
Ronda Carpenter	Mt Housing Providers		✓	
John Shontz	MT Assoc Realty		✓	
Don Allen	MT Wood Products Assn		X	
Riley Johnson	NFIB		X	
David Owen	MT Chamber		✓	
Mike Robinson	Gov's Office		✓	
Pam Langley	Montana Agri Business Assn. Montana Grain Elevator Assn.		✓	

Please leave prepared testimony with secretary.
Witness statement forms are available if you care to submit written testimony.

Motion:

Rep. Ream moved that SB 57 be concurred in. *{Tape: 1; Side: B; Approx. Time Count: 22.0.}*

Discussion:

Mary Whittinghill, Department of Revenue, was asked to comment on the bill. *{Tape: 1; Side: B; Approx. Time Count: 22.5; Comments: Discussion continued on Tape 2 A.}*

Motion/Vote:

Rep. Simpkins moved to table SB 57. The motion failed 14 - 6, with Reps. Orr, Arnott, Wells, Jore, Simpkins and Bankhead voting yes. *{Tape: 2; Side: A; Approx. Time Count: 13.0.}*

Vote:

Rep. Ream's concurred in motion carried 14 - 6, with Reps. Orr, Arnott, Wells, Jore, Simpkins and Bankhead voting no. *{Tape: 2; Side: A; Approx. Time Count: 14.0.}*

DISCUSSION OF PROPERTY TAX BILLS
SB 195, SB 211, HB 443, HB 590, HB 589, SB 319

Chairman Hibbard made a statement on the status of action to date on property tax bills. He presented an unofficial gray bill, SB 195, for the Committee consideration. **EXHIBIT 3.** *{Tape: 2; Side: A; Approx. Time Count: 16.0.}*

Mr. Heiman discussed the bill and the changes which had been made. *{Tape: 2; Side: A; Approx. Time Count: 21.7; Comments: Discussion continued on Tape 3 A and 3 B. Tape 2 B malfunctioned and contains no information.}*

EXECUTIVE ACTION ON SB 195

Motion:

Rep. Ellis moved that SB 195 be concurred in. *{Tape: 3; Side: B; Approx. Time Count: 1.9.}*

Motion:

Rep. Story moved the bill with the proposed amendments to SB 195. **EXHIBIT 4.** *{Tape: 3; Side: b; Approx. Time Count: 3.0.}*

Discussion:

Rep. Ream indicated there could be a problem with forest productivity in the bill. *{Tape: 3; Side: B; Approx. Time Count: 5.4.}*

Dave Woodgerd, Department of Revenue, discussed problems in the bill which could be fixed with technical amendments. *{Tape: 3; Side: B; Approx. Time Count: 8.9.}*

Vote:

The amendments carried, 14 - 6 with Reps. Orr, Arnott, Carey, Wells, Harper and Raney voting no. *{Tape: 3; Side: B; Approx. Time Count: 10.0.}*

Motion/Vote:

Rep. Ellis moved that SB 195 as amended be concurred in. The motion carried 12 - 8, with Reps. Orr, Ryan, Arnott, Carey, Swanson, Harper, Raney and Ream voting no. *{Tape: 3; Side: B; Approx. Time Count: 13.0.}*

EXECUTIVE ACTION ON SB 319

Motion/Vote:

Rep. Simpkins moved to table SB 319. The motion carried 17 - 2 with Reps. Harper and Raney voting no. *{Tape: 3; Side: B; Approx. Time Count: 15.3.}*

EXECUTIVE ACTION ON HB 590

Motion:

Rep. Arnott moved the amendments to HB 590. **EXHIBIT 5.** *{Tape: 3; Side: B; Approx. Time Count: 22.0.}*

Discussion:

{Tape: 3; Side: B; Approx. Time Count: 24.5.}

Vote:

The motion passed, 17 - 2, with Reps. Raney and Ream voting no.

Motion/Vote:

Rep. Raney moved to amend the bill to provide that no vote would be required to bring revenue back to the whole. The amendments passed 14 - 6, with Reps. Orr, Arnott, Wells, Jore, Simpkins and Bankhead voting no. *{Tape: 4; Side: A; Approx. Time Count: 1.8.}*

Motion/Vote:

Rep. Swanson moved to amend the bill by adding a homestead provision and reducing the rate. The motion failed with 13 - 7 with Reps. Ryan, Carey, Harrington, Swanson, Harper, Raney and Ream voting yes. *{Tape: 4; Side: A; Approx. Time Count: 11.0; Comments: Discussion and final vote on Tape 4B.}*

Motion/Vote:

Rep. Ellis moved that SB 195, as amended, be concurred in. The motion was carried, 17 - 3, with Reps. Carey, Harrington and Ream voting no. *{Tape: 4; Side: B; Approx. Time Count: 3.2.}*

EXECUTIVE ACTION ON HB 443

Motion/Vote:

Rep. Ellis moved to table HB 443. The motion passed 13 - 7, with Reps. Ryan, Carey, Harrington, Swanson, Harper, Raney and Ream voting no. *{Tape: 4; Side: B; Approx. Time Count: 5.3.}*

EXECUTIVE ACTION ON HB 589

Motion/Vote:

Rep. Simpkins moved to table HB 589. The motion passed 13 - 7, with Reps. Ryan, Carey, Harrington, Swanson, Harper, Raney and Ream voting no. *{Tape: 4; Side: B; Approx. Time Count: 6.4.}*

EXECUTIVE ACTION ON SB 195

Motion/Vote:

Rep. Orr moved to reconsider the action taken on SB 195. The motion failed on a tie vote, 10 - 10, with Reps. Story, Rose, Harrington, Ellis, Simpkins, Bankhead, Bohlinger, Taylor, Hanson and Hibbard voting no. *{Tape: 4; Side: B; Approx. Time Count: 7.7.}*

EXECUTIVE ACTION ON HB 433

Motion/Vote:

Rep. Wells moved to remove HB 433 from the table. The motion passed 11 - 9, with Reps. Ryan, Carey, Rose, Harrington, Bohlinger, Swanson, Harper, Raney and Ream voting no. *{Tape: 4; Side: B; Approx. Time Count: 17.3.}*

Motion/Vote:

Rep. Wells moved that HB 433 do pass. The motion carried 11 - 9, with Reps. Ryan, Carey, Rose, Harrington, Bohlinger, Swanson, Harper, Raney and Ream voting no. *{Tape: 4; Side: B; Approx. Time Count: 18.0.}*

EXECUTIVE ACTION ON HB 393

Motion/Vote:

Rep. Simpkins moved the amendments to HB 393. **EXHIBIT 6.** The motion failed on a tie vote, 10 - 10, with Reps. Ryan, Carey,

HOUSE STANDING COMMITTEE REPORT

March 14, 1997

Mr. Speaker: We, the committee on **Taxation** report that **Senate Bill 195** (third reading copy -- blue) **be concurred in as amended.**

Signed: Chase Hibbard
Chase Hibbard, Chair

And, that such amendments read: **Carried by: ~~Rep. Mercer~~**

1. Title, line 4.
Strike: "DELAYING"
Insert: "ELIMINATING"

2. Title, lines 5 through 7.
Following: the first "CYCLE" on line 5
Insert: "FOR CLASS THREE, FOUR, AND TEN PROPERTY"
Following: the first ";" on line 5
Strike: remainder of line 5 through ";" on line 7

3. Title, line 8.
Following: "NEW"
Insert: "CLASS THREE, FOUR, AND TEN"
Following: "RECLASSIFIED"
Insert: "CLASS THREE, FOUR, AND TEN"

4. Title, line 9.
Strike: "1996"
Insert: "1993"

5. Title, line 9.
Following: ";"
Insert: "ALLOWING AN EXTENSION OF 1997 STATUTORY DEADLINES
RELATING TO PROPERTY TAXES;"

6. Title, lines 10 and 11.

3/14

Committee Vote:
Yes 12, No 8.

561551SC.Hdh

Strike: "AND 15-7-221" on line 10
Insert: "15-7-112, AND 15-8-111"
Following: "MCA" on line 10
Strike: "," through "1995" on line 10

7. Page 1, line 16.
Following: "reclassified"
Insert: "class three, four, and ten"

8. Page 1, line 17.
Strike: "1996"
Insert: "1993"

9. Page 1, line 20.
Following: "reclassified"
Insert: "class three, four, and ten"

10. Page 1, line 22.
Following: "reclassified"
Insert: "class three, four, and ten"

11. Page 1, line 24.
Following: "reclassified"
Insert: "class three, four, and ten"

12. Page 2, lines 17 and 18.
Following: "(a)" on line 17
Strike: remainder of line 17 through "all" on line 18
Insert: "All"
Strike: "market" on line 18
Insert: "1993"
Following: "value" on line 18
Strike: remainder of line 18
Insert: "as determined by the base"

13. Page 2, line 19.
Following: "year"
Insert: "used for the 1993 reappraisal"

14. Page 2, lines 20 and 21.
Following: "(b)" on line 20
Strike: remainder of line 20 through "years" on line 21
Insert: "In any periodic revaluation of taxable property under the provisions of 15-7-111"

15. Page 2, lines 29 and 30.
Strike: "(a)" on line 29
Strike: "Except as provided in subsection (1)(b), the"

Insert: "The"

16. Page 3, line 1.
Strike: "within the state"
Insert: "and that must be revalued on a periodic basis"

17. Page 3, line 6.
Strike: "(b)"
Insert: "(2)"
Strike: "and ending December 31, 1999,"

18. Page 3, line 8.
Strike: "(i)"
Insert: "(a)"
Strike: "1996"
Insert: "1993"
Strike: "classes of"

19. Page 3, line 9.
Strike: "Title 15, chapter 6, part 1"
Insert: "15-6-133, 15-6-134, and 15-6-143"

20. Page 3, line 10.
Strike: "(ii)"
Insert: "(b)"

21. Page 3, line 11.
Strike: "in tax year 1996"

22. Page 3, lines 13 through 18.
Strike: subsection (2) in its entirety

23. Page 3, line 20 through page 4, line 23.
Strike: sections 3, 4, and 5 in their entirety
Insert: "**Section 3.** Section 15-7-112, MCA, is amended to read:

"**15-7-112. Equalization of valuations.** The same method of appraisal and assessment ~~shall~~ must be used in each county of the state ~~to the end~~ so that comparable property with similar ~~true market~~ values and subject to taxation in Montana ~~shall have~~ has substantially equal taxable ~~values~~ value at the end of each cyclical revaluation program ~~hereinbefore provided~~."

Section 4. Section 15-8-111, MCA, is amended to read:

"**15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both

having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department shall prepare valuation schedules showing the average wholesale value when a national appraisal guide does not exist.

(3) The department may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri;

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual in which the values reflect the same depreciation as those found in the official guide; ~~and~~

(c) the value of properties in 15-6-133, under class three, 15-6-134, under class four, and 15-6-143, under class ten, is not determined based on current market or current productivity value. The value is determined based on the market or productivity value for the base year of the 1993 reappraisal cycle. The 1993 reappraisal cycle is the cycle in which new values were assessed beginning in 1993. The base year for class four property is the year adopted by administrative rule for the 1993 reappraisal as required by 15-7-103. The base year for class three and ten properties is the year used in determining productivity for the 1993 reappraisal. The values must be considered equalized when property values are at or near the base year market or productivity value used for the 1993 reappraisal.

~~(c)~~ (d) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.

(6) The assessed value of properties in 15-6-131 through ~~15-6-133~~ 15-6-134 and 15-6-143 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515, 15-23-516, 15-23-517, or 15-23-518.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands in 1994 when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-134, under class four, are assessed as provided in subsection (3)(c) of this section.

~~(d)~~ (e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land in 1994 when valued as forest land.

(7) Land and the improvements on the land are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town."

NEW SECTION. **Section 5. Extension of 1997 deadlines relating to property taxation.** As a result of the change in the base year for reappraisal of class three, four, and ten property enacted by the 55th legislature, it is not possible to comply with certain statutory deadlines relating to appraisals, assessments, appeals, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process will be delayed, which in turn will cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 1997, all deadlines are extended as necessary and reasonable in order to allow for the orderly and efficient assessment and collection of taxes."

-END-

HOUSE TAXATION COMMITTEE
ROLL CALL VOTE

DATE OF MEETING: 3/14/97

BILL NO. SB195 Gray Bill

MOTION: Story - Moved amendments ~~to~~ which make the gray bill Passed 14-6

Name	Yes	No	Comment
Rep. Bob Story	✓		
Rep. Scott Orr		✓	
Rep. Bill Ryan	✓		
Rep. Peggy Arnott		✓	
Rep. Bill Carey		✓	
Rep. Sam Rose	✓		
Rep. Jack Wells		✓	
Rep. Dan Harrington	✓		
Rep. Alvin Ellis	✓		
Rep. Rick Jore	✓		
Rep. Dick Simpkins	✓		
Rep. Paul Bankhead	✓		
Rep. John Bohlinger	✓		
Rep. Emily Swanson	✓		
Rep. Lila Taylor	✓		
Rep. Marian Hanson	✓		
Rep. Hal Harper		✓	
Rep. Bob Raney		✓	
Rep. Bob Ream	✓		
Chairman Chase Hibbard	✓		
	14	6	

HOUSE TAXATION COMMITTEE
ROLL CALL VOTE

DATE OF MEETING: 3/14

BILL NO. Gray bill SB 195

MOTION: Ellis do pass as amended

Name	Yes	No	Comment
Rep. Bob Story	✓		
Rep. Scott Orr		✓	
Rep. Bill Ryan		✓	
Rep. Peggy Arnott		✓	
Rep. Bill Carey		✓	
Rep. Sam Rose	✓		
Rep. Jack Wells	✓		
Rep. Dan Harrington	✓		
Rep. Alvin Ellis	✓		
Rep. Rick Jore	✓		
Rep. Dick Simpkins	✓		
Rep. Paul Bankhead	✓		
Rep. John Bohlinger	✓		
Rep. Emily Swanson		✓	
Rep. Lila Taylor	✓		
Rep. Marian Hanson	✓		
Rep. Hal Harper		✓	
Rep. Bob Raney		✓	
Rep. Bob Ream		✓	
Chairman Chase Hibbard	✓		

12 8

HOUSE TAXATION COMMITTEE
ROLL CALL VOTE

DATE OF MEETING: 3/14/97

BILL NO. SB 195 graybeal

MOTION: Orr Reconsider

Name	Yes	No	Comment
Rep. Bob Story		✓	
Rep. Scott Orr	✓		
Rep. Bill Ryan	✓		
Rep. Peggy Arnott	✓		
Rep. Bill Carey	✓		
Rep. Sam Rose		✓	
Rep. Jack Wells	✓		
Rep. Dan Harrington		✓	
Rep. Alvin Ellis		✓	
Rep. Rick Jore	✓		
Rep. Dick Simpkins		✓	
Rep. Paul Bankhead		✓	
Rep. John Bohlinger		✓	
Rep. Emily Swanson	✓		
Rep. Lila Taylor		✓	
Rep. Marian Hanson		✓	
Rep. Hal Harper	✓		
Rep. Bob Raney	✓		
Rep. Bob Ream	✓		
Chairman Chase Hibbard		✓	

10 10

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 12, 1997, at 6:30 a.m., in Room 325

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

Discussion:

CHAIRMAN JOHN HARP expressed his goals for this conference committee. He said all of the key people are on this committee who understand tax. This is a free conference committee and the members can ask questions of the audience. This committee needs to look at the immediate effects of property tax. The people of Montana need to know what type of methodology and purpose of assessing property is in the future and unify this state in tax policy.

SENATOR MIKE HALLIGAN said the focus of this committee is the short and long term effects of this tax. The short term has to be constitutional and in balance across the state.

SENATOR BRUCE CRIPPEN said this bill should be drafted and follow some of the ideas of SB 392.

REPRESENTATIVE CHASE HIBBARD said we need to take a look at SB 392 and it will help in making a better piece of legislation out of SB 195. Long run form of tax is a meaningful form but has eluded the legislature and people for a long time. What we are doing here today could be a short term solution but will take us

into the future of examining property taxes. Property tax needs to evolve and there are probably still better ways out there.

REPRESENTATIVE DAN HARRINGTON said whatever we do here could be used in the future. We should move in the direction of SB 392.

REPRESENTATIVE BOB STORY said we need to protect the tax-payers from the reappraisal of class 4 tax. If we are going to protect class 4 then the other cyclical classes should be protected also. One of the problems is the market value of land and the effects tax has on local government.

{Tape: 1; Side: A; Approx. Time Count: 6:40 a.m.; Comments: .}

Key Component Discussion:

SENATOR CRIPPEN said a key component is the phase in theory of two percent of a temporary or long-term solution. This session we are trying to deal with the artificial increases in property taxes. Natural increases are from inflation and the increases of the economy. Artificial is people are buying land at prices far beyond what land would normally sell for and these tax bills are trying to deal with that. We want to help the local governments and the two percent phase in is the alternative. It does not get rid of fair market value and we should not get rid of market value until we find a replacement.

CHAIRMAN HARP asked if in the phase in process do we want to use the 1996 reappraisal as a basis? **SENATOR CRIPPEN** replied yes.

SENATOR HALLIGAN said reappraisal needs to be continued as it allows us to stay at a current market value and treat the tax-payers equally. Market value is still the fairest way to proceed. Flexibility for local governments is important so it can grow and they don't have to go out and get a vote of the people every time they have to deal with budget issues at the local level.

REP. HIBBARD said he agrees with the phase in idea because it doesn't dismantle the system with nothing to replace it. It will preserve the fair market value concept and will give us a mechanism to gradually see the impact. This bill started out as a freeze on 3,4, and 10 cyclical classes and we need to carry that out. Taxes should not increase and acknowledge the phase in. If we look at the way the two percent works it is the difference between the old and new values. It is two percent of that, which is an .8 percent increase. However that .8 percent will vary from county to county depending on how much that county went up relative to average. He would like to bring the tax value down to zero. We need to adjust the taxable rate not just once but for each year. We need to look at a mill adjustment and make sure the local governments will remain whole.

REP. HARRINGTON said we want to use the 1996 reappraisal figures. We need to keep local governments and schools whole and at the

same time not cause any shift in these tax classes. The phase in is good but the 50 year period needs to be shortened. State wide mills need to use a percentage change to take care of that. Local government need to have the authority to keep themselves whole where they are not losing money through this process. These are short-term solutions but it is a place to start.

REP. STORY said he liked the freeze idea as it was a way to start protecting people from reappraisal. He said he would like to get away from the market value because all of the land he owns is assessed another way. In reappraisal cycles they were careful to make sure local governments and schools didn't take any advantage of them. Rate reduction will protect the tax-payer from the state.

SENATOR CRIPPEN said we have done this phase in before. There are a lot of ways to determine the value of property for tax purposes. The phase in and the reappraisal can be separate and be constitutional as long as they are applied the same across the state. The two percent should be put in but we don't have to worry about the 50 years because by then the tax structure will be crafted another way.

{Tape: 1; Side: A; Approx. Time Count: 6:59 a.m.; Comments: .}

REP. HIBBARD said in the House they spent time on the I-105 provisions and updating them to 1996. He said when local governments are below average and this two percent is applied, coupled with a rate spiralling downward, they end up with less money than they had before.

REP. STORY said there were some sections that came out of SB 392 that dealt with a percentage increase and local governments ability to raise money. Local governments said they could already go under I-105 and get more than two percent. The language in I-105 presently says local governments have to declare an emergency to use that provision and meet certain criteria. It was decided that some of that criteria should be eliminated and if the local government wanted to go to its voters, all they had to do was show that they didn't have enough money to operate. If they could sell this to their voters, let them do that rather than having to comply with present law. He passed out amendments **(EXHIBIT 1).**

CHAIRMAN HARP asked if they are looking for flexibility for local governments. He asked about the five percent on emergency issues **REP. STORY** said this does apply to local government flexibility. The two percent idea could be a problem because there are jurisdictions out there that are losing in their values. If the two percent is used they would never be able to use the five percent increase. He discussed the amendments **(EXHIBIT 1).**

CHAIRMAN HARP said they need to look at how an election would occur and under what conditions, and would it be a special or state wide election with the maximum amount of input from the

voters. It is important that we do allow local governments to raise additional dollars if that community sees fit.

REP. HIBBARD discussed the amendments **(EXHIBIT 1)**. He said it may be appropriate to discuss if a two percent cap is relative or not. We are taking away any opportunity they may have to automatically gain revenue from cyclical reappraisal. He said they may want to discuss giving them the ability, by a vote of the people, to raise the amount of money they need and not limit it to two percent.

REP. STORY said he agreed. He said schools where allowed to go to four percent. One of the things that are exempt from I-105 are cyclical reappraisals.

SENATOR CRIPPEN said local governments made a good point when they said the two percent wasn't applicable because it would cost more to have an election than they would receive from the two percent. That needs to be taken out. With the phase in of the two percent the local governments will get a natural increase. It is a problem if it is going to be capped at two percent. There needs to be other ways for local governments to get money but it shouldn't be capped.

CHAIRMAN HARP asked if it shouldn't be capped at two percent then should the local tax-payers have the ability to decide this by lifting the I-105 provision dealing with this. **REP. STORY** said this was a fair statement.

CHAIRMAN HARP said he comes from Western Montana and they know exactly what market value means. Taxes have not increased accordingly and it is a problem when dealing with market value. We need to fully examine why we need to stay in market value in this state. He said if market value is so good, why don't we do that with other properties in Montana. Market value does not have to be tied to the land in Montana and we can use any type of methodology in assessing land. Through education and time, people will understand what market value has done for the tax-payers. There is no question that the counties in eastern Montana will be affected by the freeze on taxes. There needs to be a provision in this legislation that will bring some flexibility to those areas that have had a reduction in value.

{Tape: 1; Side: B; Approx. Time Count: 7:18 a.m.; Comments: .}

SENATOR HALLIGAN said if we are looking at other definitions of fair market value we need to ask ourselves if we need to look at the difference between residential and commercial property. He asked what growth does local government have besides new construction. He said he doesn't agree that the local government should have to go to a vote of the people every time they want to do something. One of the goals is zero increase in taxes and we have to recognize the equal partnership of local governments. Fair market value has hurt low and fixed income people and we

don't want to erode the work we have already done on this matter.

CHAIRMAN HARP asked if we lift I-105 and lift the cap and allow local governments that ability to go out and get a vote of the people, this sends the message that they are a partner with tax policy and government services.

SENATOR HALLIGAN said this is the right direction to go. He asked **Gordon Morris, MT Association of Counties** to respond on the issues of I-105. **Gordon Morris** said he wouldn't encourage repealing I-105 totally. The counties would like to have the elimination of the emergency references and then they can go to the vote of the people for any request. He said if the committee is looking at a major reduction, then there is a provision in I-105 that says the drop in taxable value has to be greater than five percent before you can levy back. He suggested taking the five percent out so that any drop will allow to levy back to 1996 amounts. He didn't think the two percent voting authority would be appropriate.

REP. HIBBARD said it is important to allow local governments the ability to go out and get a vote of the people to operate. The provision needs to be in there to adjust their mills to come back to what they had the previous year. On the issue of raising money they should have a vote and we need to discuss how that vote should be structured.

REP. STORY said on a 40 percent turnout there would have to be a majority vote. If it was between 30 and 40 percent they would need a 60 percent positive vote. With less than 30 percent the election would be void. This concept could be brought before this committee and the election would probably have to be held in conjunction with a general election to get this type of turnout. This could not be the best time though because local government's fiscal years run from July to July.

SENATOR CRIPPEN asked if he was tying this to school bonding elections. **REP. STORY** said that is already in the statutes on how this election is run.

REP. HARRINGTON said local governments should have the same parameters as schools.

SENATOR HALLIGAN said they should not micro-manage the democratic process. It should be a majority vote on general local government concerns.

CHAIRMAN HARP said if they are talking about a democratic process, why not give the tax-payers and the voters an opportunity to turn out in a general election where there is strong community support. There is nothing wrong with a large turnout as it will give more input for the state and local government entities.

SENATOR HALLIGAN said if they are going to have a percentage requirement why don't they do this for legislative elections. If 40 percent don't show up you don't get elected.

SENATOR CRIPPEN asked why is I-105 there? He said people are tired of increases. We need to look at the reasons for why we have I-105. We need to look at the people who rely on local governments that they don't go hog wild and get these requests for increases by just a small vote of the people. It is a good idea to have some limitation.

SENATOR HALLIGAN said they never had a vote of the people before If we go to a voting system we are sending out the message to the people that they will be allowed to vote by the democratic process.

REP. HIBBARD said he would like some language on how school and bond elections are carried out.

CHAIRMAN HARP said if we decide to lift I-105 there should be some type of safety net. We cannot turn our back on local government and try to find a balance.

REP. STORY said the problem is with municipal elections as they are held at an odd time of year and there is little voter participation. If the mills are run at that time, there will not be the voter turnout.

SENATOR HALLIGAN said if a local government wants to grow, why not reward them for being more frugal.

CHAIRMAN HARP said they need to have the flexibility. If I-105 is lifted why shouldn't there be more participation by the voters by setting election standards. These are big issues to the tax-payers and they need to be involved.

SENATOR HALLIGAN said if a local government is stagnant and they just want to grow with inflation, then why have a requirement fo election standards.

CHAIRMAN HARP said there needs to be some definitions between what type of election each city and town can have.

REP. HARRINGTON said the school elections were held the first of April and it was 15-20 percent voter turnout.

SENATOR HALLIGAN asked if we can find some common ground on this **Gordon Morris** said under I-105 an election can be held anytime and the key is if you assume normal economic growth, the value will grow by general depreciation. The problem with I-105 right now is the growth and value of the mill is tied to cyclical reappraisal. If you strike the language "cyclical reappraisal," then the other growth would give increased revenue to local governments. This will take care of the 1996 problem. The local

governments will be able to go the voters for a request at any time and let's not try to put regulations on an election as it could be disastrous.

{Tape: 1; Side: B; Approx. Time Count: 7:40 a.m.; Comments: .}

REP. STORY asked if cyclical reappraisal is taken out will you still be able to take the two percent. **Gordon Morris** said it wouldn't have to be referenced in the bill; it would be phased in over a period of time.

REP. HIBBARD asked **REP. ELLIS** to comment on this matter. **REP. ELLIS** said he doesn't agree with the area of needing a certain turnout. He said schools are going to mail ballots. In mail ballots you routinely get more than 50 percent.

SENATOR CRIPPEN said a committee should be formed that deals just strictly with property taxes. This is a citizen legislature and how much are we going to ask people to take during the interim to deal with this problem. People are going to have to be very serious if they are going to tackle property taxes. We have discussed just about everything in the area of property taxation and it needs to be refined and made appealing.

CHAIRMAN HARP said we are assuming the 1996 reappraisal goes into effect. The other things this committee will look at is the two percent phase in, rate reductions, cyclical striking that affect millage, increasing local government participation, updating I-105, committee study, making sure eastern Montana can be made whole, and looking at market value.

State Local Government Committee
EXHIBIT NO. 1
DATE 4-12-97
BILL NO. SB 195

Amendments to Senate Bill No. 195
Reference Reading Copy

For the Free Conference Committee

Prepared by Jeff Martin
April 11, 1997

1. Title, line 20.
Following: "TAXES;"
Insert: "REVISING THE PROPERTY TAX LIMITATIONS IMPLEMENTING INITIATIVE MEASURE NO. 105 BY CHANGING THE EXCEPTIONS TO THE LIMITATIONS; PROVIDING THAT THE VOTERS OF A TAXING UNIT MAY AUTHORIZE AN INCREASE IN TAXES NOT TO EXCEED 2 PERCENT PER YEAR;"

2. Title, line 22.
Following: "SECTIONS"
Insert: "7-6-2514"

3. Title, line 23.
Strike: "AND"
Following: "15-8-111"
Insert: ", 15-10-401, 15-10-402, 15-10-412, AND 15-36-323"
Following: ";"
Insert: "REPEALING SECTION 15-10-411, MCA;"

4. Page 2.
Following: line 11
Insert: "**Section 1.** Section 7-6-2514, MCA, is amended to read:
"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."
Renumber: subsequent sections

5. Page 10.
Following: line 18
Insert: "**Section 10.** Section 15-10-401, MCA, is amended to read:
"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.
~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden~~

~~on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~(2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~."

Section 11. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to ~~1986~~ 1996 levels. ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 12. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception. Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993

through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

~~(3)~~ (2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property ~~in each class~~ as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or

(ii) cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in~~

~~each taxing unit based on 1986 mills levied.~~

~~(7)~~(5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year.~~ If a taxing unit's taxable valuation decreases by 5% or more from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

~~(8) (a)~~(d) Except as provided in subsection ~~(8)(b)~~ (6)(e), if a taxing unit has levied additional mills under subsection ~~(7)(a)~~ (6)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the ~~1986~~ 1996 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year ~~1986~~ 1996.

~~(b)~~(e) When the taxable valuation of a taxing unit that levied additional mills under subsection ~~(7)(a)~~ (6)(a) or ~~(8)(a)~~ (6)(d) is equal to or greater than the taxing unit's taxable valuation in tax year ~~1986~~ 1996, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection ~~(7)(a)~~ (6)(a) are satisfied.

~~(9)~~(7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
(d) city street maintenance districts;
(e) tax increment financing districts;
(f) satisfaction of judgments against a taxing unit;
(g) street lighting assessments;
(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);
(i) levies for economic development authorized pursuant to 90-5-112(4);
(j) levies authorized under 7-6-502 for juvenile detention programs;
(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;
(l) elementary and high school districts; and
(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:
(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;
(b) an explanation of the nature of the financial emergency;
(c) an estimate of the amount of funding shortfall expected by the taxing unit;
(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
(e) a finding that there are no alternative sources of revenue;
(f) a summary of the alternatives that the governing body of the taxing unit has considered; and
(g) a statement of the need for the increased revenue and how it will be used.

~~(11)~~(9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.
(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:
(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.
(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and
(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~(10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does

not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred.

(13) (a) A taxing unit may increase the amount of taxes levied by up to 2% from 1 tax year to the next tax year if the majority of voters in the taxing unit participating in the election approve an increase in tax liability. The voted increase may occur without regard to any limitation in this section or any statutory mill limits. The increase may continue in succeeding years, but an additional increase in taxes levied above the previous tax year is not allowed without voter approval.

(b) Any increases approved pursuant to subsections (13)(a) may be removed by a vote of the majority of voters in the taxing unit participating in the election. If the governing body of a taxing unit receives a petition signed by at least 10% of the voters in a taxing unit, it is required to put the issue of removal of any increases pursuant to this subsection (13) on the ballot at the next available election."

Section 13. Section 15-36-323, MCA, is amended to read:

"**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412~~(10)~~ (8), for which additional mills were levied in fiscal year 1990."

NEW SECTION. **Section 14. Repealer.** Section 15-10-411, MCA,

is repealed."
Renumber: subsequent section

6. Page 10, line 23.
Strike: "4"
Insert: "5"
Strike: "8"
Insert: "9"
Strike: "1"
Insert: "2"
Strike: "3"
Insert: "4"

7. Page 10, line 24.
Strike: "4"
Insert: "5"
Strike: "8"
Insert: "9"

ROLL CALL

FREE CONFERENCE or CONFERENCE COMMITTEE

ON BILL NO. SB 195

DATE 4/12/97 6:30 AM.

NAME	PRESENT	ABSENT	EXCUSED
Sen Harp	X		
Sen Cripper	X		
Sen. Halligan	X		
Rep. Hibbard	X		
Rep. Harrington	X		
Rep. Story	X		

CCROLL.F18

DATE 4-12-97

SENATE COMMITTEE ON Free Conference Committee

BILLS BEING HEARD TODAY: SB 195

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Gordon Morris	MACo			

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 14, 1997, at 8:3 a.m., in Room 325

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

Discussion on Amendments #4:

Greg Petesch handed out amendments dealing with SB 195. He explained amendment #1 **(EXHIBIT 1).**

CHAIRMAN JOHN HARP said there will be several examples of phasi in, millage changes, new construction etc. He said he would lik to get some examples of a home being built in 1998 and show how this will work. Those examples would be helpful.

Greg Petesch explained the amendments further **(EXHIBIT 1).**

CHAIRMAN HARP said the amendment's main components are ratcheting, phase-in, how to deal with new construction, and allowing to retain re-evaluation if needed.

SENATOR BRUCE CRIPPEN said they are always concerned about the length of reappraisals even though they are using a different method in fair market values. The bill says the Legislature car come back at any time and start a new cycle. Could this languag cause some Constitutional concern? **Greg Petesch** said the language as written would provide for the 50 year phase-in. The re-evaluation would occur at a point in time when the base valu

changes or is completely phased-in. If a certain time was put it would negate phase-in provisions.

REPRESENTATIVE DAN HARRINGTON asked if the 50 years had to be or can it be adjusted to 30 or 40 years. **Greg Petesch** said it be adjusted by changing the percentage rate of the evaluation that is being phased in.

SENATOR CRIPPEN said if you have a two percent phase-in could there be a shorter period of time stated. Things can be phased at two percent and it will not go to the full 100 percent.

REPRESENTATIVE CHASE HIBBARD said the way the language reads, re-evaluation doesn't need to occur until it is totally phased in, but the language is still there to do a re-evaluation if needed.

SENATOR MIKE HALLIGAN asked if they had other amendments proposing shorter cycles. **Greg Petesch** said they had not been done, but could be provided.

SENATOR HALLIGAN said he was concerned that if taxpayers decic to sue and they have this 50 year cycle in place they could su three or four years down the road. They could sue because we a looking at fantasy values.

CHAIRMAN HARP said it won't happen because they are using the 1996 values and the most current and accurate information this state has ever had.

SENATOR CRIPPEN said anybody can go in and protest what is happening to the value of their property. They will still hav that opportunity under this bill.

REPRESENTATIVE BOB STORY said there is no tie in the language the bill between the percentage ratchet and the percentage gr allowed.

CHAIRMAN HARP said they will have that ability this session b future Legislatures that want to change the phase-in percenta or the ratchet provision could go in the opposite direction. Right now they are saying it is tied together, but this could change in the future. We are allowing the 1996 re-appraisal t take effect and at the same time making property owners whole

{Tape: 1; Side: A; Approx. Time Count: 8:48 a.m.; Comments: .

<u>Discussion of Amendment #2:</u>

Greg Petesch handed out and discussed amendment #2 **(EXHIBIT 2**

CHAIRMAN HARP asked with this amendment the taxpayers would h the predictability of knowing what their taxes would be in th

next year. **Greg Petesch** said yes except in the case of local decision. He continued to explain the amendments **(EXHIBIT 2).**

SENATOR CRIPPEN asked in the notice provision, if the taxpayer doesn't protest the first notice, then they cannot protest the next year because there was no notice provided. **Greg Petesch** said each year a person gets a tax statement and could still challenge it. He explained the amendments further **(EXHIBIT 2).**

CHAIRMAN HARP asked if it would be a month to two months on the extension of property taxation? **Greg Petesch** said based on the phase-in, they can reduce the period of time it takes for getting the budgets out and the delay would not be as long under the hard freeze. **Mary Bryson, MT Department of Revenue,** said they would have the assessments done by the 1st of August. They normally go out May or June.

CHAIRMAN HARP asked if this would harm local governments. **Mary Bryson** said they would still be able to get their tax bills out on time.

SENATOR CRIPPEN asked what the reason was for the delay. **Mary Bryson** said a lot of it has to do with calculation of reappraisal amounts and modifications.

SENATOR HALLIGAN asked if budgets for local governments have to be done by July? **Gordon Morris, MT Association of Counties**, said current law requires the budget to be adopted by the 2nd Monday in August, but it can still be done if there are some delays by the Department of Revenue.

Greg Petesch finished explaining amendments #2 **(EXHIBIT 2).**

CHAIRMAN HARP asked if the $425,000 was money that would be a reversion. **Mary Bryson** said the $425,000 represents the total cost anticipated with the implementation of this bill. Some of the monies will be associated to the business cycle, programming costs, and limitations of the bill. **Greg Petesch** said this would be money that would otherwise revert at the end of the fiscal year. The amount has been capped.

CHAIRMAN HARP asked if there are additional dollars that won't be expended by this current biennium and rather than reverting to the general fund, this money would be held and carried forward. **Greg Petesch** stated this was true.

CHAIRMAN HARP asked if that is the case, what if the $425,000 limit was taken out? **Greg Petesch** said he didn't know.

REP. STORY said a portion of that money, if notices are mailed out in June, wouldn't be spent and would be available for reversion. Since they can't mail them out later, they need to be able to carry that mailing money into the next biennium.

CHAIRMAN HARP said with these new additional dollars, this re-appraisal would take effect one way or the other. There was money already in HB 2 to allow that. The additional money is for program changing to implement the phase-in and going from the old to new value.

SENATOR CRIPPEN asked if the $425,000 has been spent, where is that money. **CHAIRMAN HARP** said that comes under the general government provision in HB 2, Department of Revenue. He asked who runs the Department of Revenue budget. **REPRESENTATIVE TOM ZOOK, HD 3, Miles City,** said Jim Turner is the person to ask on this issue.

Discussion of Amendment #3:

Greg Petesch handed out amendment #3 and explained them **(EXHIBIT 3).**

CHAIRMAN HARP asked if they could use any staff they desired? **Greg Petesch** stated yes.

CHAIRMAN HARP said there is a lot of reliance on market value and coming up with alternatives to market values. This is important to Montanans. The way these amendments are crafted, market value would be the law of the land, but they also need to look to the future to try and find some alternatives. **Greg Petesch** said current statutes require property to be valued based on market value. This language would direct the committee to look at alternative methods to change or supplement what is already in statute. This is trying to take the volatility of using market value out of the tax system to enhance predictability and decision making.

SENATOR CRIPPEN said he agrees with twelve members being on the committee. He has no problem with sub section (2), but has some concerns with sub-section (3). He said he doesn't want to see members of the committee working independently. There needs to be a timeline and ideas need to be refined.

CHAIRMAN HARP said once the committee is formed the chairman and the committee can form their own timeline and ideas. There needs to be some flexibility there.

SENATOR CRIPPEN asked when is the effective date going to be on this bill. **Greg Petesch** said when the final amendments are drafted there would be an immediate effective date on the bill.

REP. HIBBARD said the 12 members on the committee would be more effective. He said they discussed in sub-committee on whether to have this committee study property tax only or to broaden it. It is difficult to come to a resolution because there is some many ideas about tax out there. If the intent is to get something done with property taxes then the focus should be on that only. Under this amendment it takes three members on the committee to present

a proposal and the entire group doesn't have to agree. If it is the entire group, they may not have many ideas that survive the test.

{Tape: 1; Side: A; Approx. Time Count: 9:12 a.m.; Comments: .}

REP. HARRINGTON said it had been discussed earlier that these meetings should be moved throughout the state rather than having them just in Helena. **SENATOR CRIPPEN** said there may be a problem with this because the committee cannot bring all the staff and have access to state organizations etc. He said perhaps in the preliminary stages it can be moved around the state to gather informational material but it needs to be done in Helena. **REP. HARRINGTON** agreed.

SENATOR HALLIGAN said sub-section (3) is designed to produce mutual exclusive alternatives and that is good. He said every session we have legislation dealing with tax credits, tax breaks etc. The whole issue here is do we broaden this to include other taxes? This study needs to address value added tax structures and be refined and discussed. The study might want to be extended to a four year plan with the appropriate funding.

CHAIRMAN HARP discussed amendment #3 **(EXHIBIT 3).** He said to replace the property tax system in Montana they are looking at over $600 Million in taxes collected in Montana under property taxes. All tax structures need to be discussed in this study.

REP. HIBBARD said if they leave the language the way it is, the overall focus is on property tax, but it doesn't preclude the value added tax or other major taxes. If we broaden to include all taxes, the committee could lose its focus.

SENATOR CRIPPEN asked where did the $100,000 for funding come from and is that enough to fund this? If it is apparent that the $100,000 won't cover this study, where can they get more money. **Greg Petesch** said the Legislative Council, in its budget, has funding for statewide importance that is not otherwise funded. The Council has historically used some of this money to fund interim study committees. The other option is to go to leadership for the authority to use some of the funds allocated to leadership.

{Tape: 1; Side: B; Approx. Time Count: 9:21 a.m.; Comments: .}

REP. STORY said he was concerned about each member on the committee forming their own ideas in sub-section (3). If 12 people were busy on the committee and the staff busy throughout the interim would there be enough budget? There needs to be some authority of the chairman to watch this spending. **CHAIRMAN HARP** said the people who get appointed to this committee will be dedicated and watch their spending.

SENATOR CRIPPEN said in the fiscal note it talks about contractile services. He said he would rather work with staff that already knows what is going on and has some experience.

Discussion of Amendments #4:

Greg Petesch handed out amendment #4 and explained them **(EXHIBIT 4)**.

CHAIRMAN HARP asked if the new base was the 1996 tax base and the old was 1986. **Greg Petesch** replied yes.

CHAIRMAN HARP asked whatever dollars were collected in Montana in the year 1996 will be capped. **Greg Petesch** replied yes. He continued to explain the amendments **(EXHIBIT 4)**.

CHAIRMAN HARP said they are not interested in the average taxpayer but this provision will get all Montana taxpayers to a zero increase in tax, except in remodeling and construction. **Greg Petesch** said yes, that is what this is designed to do.

CHAIRMAN HARP said Sweetgrass Co. took the largest jump in new values and would this affect them. **Greg Petesch** said yes this is a jurisdiction that would apply.

REP. HARRINGTON said he would like a sheet to show the affects this would have on counties.

CHAIRMAN HARP said he would like examples of what happens after the two percent and the ratcheting has gone into effect. If a taxpayer has still increased above the average then they would go into the taxable value in that mill levy that excluded new and remodeled construction. Those values of classes 3,4, and 10 would be reduced so the property taxpayer would have no increases in taxes.

REP. HARRINGTON said once we start removing classes 3,4 and 10 then they start affecting the other classes.

REP. HIBBARD said in HB 590 they took a look at reducing statewide mills. In this case the valuation is only increasing two percent and is ratcheted down by the tax classification rate to under one percent. In a county like Sweetgrass, which had the largest increase, they might be around one percent and if agriculture and timber is added, it will be minimal where mills will have to be changed.

CHAIRMAN HARP said this is the third and final movement in this taxpayer's bill. He used the example of Silver-Bow County and said this wouldn't affect many of the property taxpayers in that area. The winners and losers between those classes are really going to be limited.

{Tape: 1; Side: B; Approx. Time Count: 9:33 a.m.; Comments: .}

Greg Petesch explained cyclical reappraisals in the amendments **(EXHIBIT 4).**

CHAIRMAN HARP asked if they are excluding non-levy revenues from the limit of increases in taxes. **Greg Petesch** said it is only certain non-levy revenues, such as coal gross proceeds and oil and gas production taxes.

CHAIRMAN HARP asked in those areas that have coal, oil, and gas will they be allowed to increase? **Greg Petesch** stated yes.

REP. HARRINGTON asked about the metal mine gross proceeds. **Greg Petesch** said they are in a different category.

REP. HIBBARD asked if both oil and gas decrease, would mills be able to adjust automatically, and would they be subjected to a five percent cap? **Greg Petesch** said this is a specific exemption to compensate for a loss in revenue for those two types of taxes

Greg Petesch explained sub-section (5) and (6) **(EXHIBIT 4).**

REP. STORY said when the five percent was put in I 105 in 1985 i was assumed that local governments would eat that. But if there was a large loss to the county that was substantial to the tax base, the government could automatically come in a put the burde onto the homeowners and businesses without a vote of the people. If this happens, the government would have to be restructured an it is logical that if a county gets into large mill shifts the voters should be consulted.

Greg Petesch continued to explain the amendments **(EXHIBIT 4).**

CHAIRMAN HARP wanted to know if he was correct on how school elections were run. He said if you have a 40 percent voter turnout, they have to vote in a favorable manner. If it is between 30 and 40 percent turnout the approval has to be adopted by 60 percent. And if it is less than 30 percent, the proposal i rejected. **Greg Petesch** said this was correct.

REP. HIBBARD asked if there was any statistics on how often an election in a school bond falls below these provisions. **Greg Petesch** said the Office of Public Instruction does not keep trac of that data.

REP. STORY said one of the things that will make this work is they will be able to hold it during the general election.

CHAIRMAN HARP said there are going to have to be large turnouts to meet these percentages. He liked the idea of having taxpayer involvement when talking about raising property taxes. He asked if it is fair to say that most of these elections would be held during a statewide general election. **Greg Petesch** said if that was done the turnout numbers would be acquired more easily

because counties don't get these kind of numbers at municipal elections.

SENATOR CRIPPEN said when a bond is up they are usually indebti a district. He said this is not always happening here, they are just allowing the increase to go in as requested by the county. They are digressing from I 105 and by doing this they are makir the standards more strict.

CHAIRMAN HARP says he sees this bill as a way of strengthen I 1 by this provision.

REP. HARRINGTON asked if this is extended to all property tax increases. **Greg Petesch** said for example if a school wants to p out a levy for a specific provision then the school election la would cover that.

{Tape: 2; Side: A; Approx. Time Count: 9:49 a.m.; Comments: .}

REP. HARRINGTON said in other words they would run their normal levies and vote by a majority. **Greg Petesch** said he would have look at that more closely.

SENATOR HALLIGAN said he has a major problem with the super-majority requirements as it takes away the local control issue. He asked if the timing of the election will affect budget periods. **Gordon Morris** said under I 105, generally, those elections take place in the spring. Those election were special elections and held because of budgeting. If it is restricted to general election then the vote will only come in even number years and budget projections would be very difficult.

SENATOR HALLIGAN said then they are looking at a special electi almost everytime. What is the prediction of getting 40 percent turn out for these elections? **Gordon Morris** said they have no experience on the type of turnout they would get for these type of special elections. Under I 105 elections, there has been les than.25 percent of the qualified voter turnout.

CHAIRMAN HARP asked if this bill passed with the phasing-in and the ratcheting, taxes will become more predictable. **Gordon Mor** said this was correct, but counties can't always predict if the are going to loose more than anticipated.

CHAIRMAN HARP asked why shouldn't the local taxpayers support a increase in taxes before it automatically shifts to every household in Montana. **Gordon Morris** said he thought the voters should be asked.

SENATOR CRIPPEN asked where does it prohibit the local jurisdictions from having one election. **Greg Petesch** said it d not.

SENATOR CRIPPEN said they can try this vote with the school election in the spring and if the numbers don't show, then they can try it in the general election in the fall.

SENATOR HALLIGAN said they need to trust local officials and le them use the super majority vote. The state should not be setti election standards. **CHAIRMAN HARP** said why not trust the tax-payers? By having more involvement with higher standards they a going to trust a super majority of tax-payers.

SENATOR HALLIGAN said what they are trusting is the no vote. Th people who won't go to the polls are the ones who make sure a 4 percent turnout doesn't happen. **CHAIRMAN HARP** said what they ar encouraging is involvement and how our tax dollars are spent in this state.

SENATOR HALLIGAN said they can't wait for the general election, it has to be a special election because counties can't speculat on what their valuations are going to be. **CHAIRMAN HARP** said because of the ratcheting and the phase-in, the predictability what taxes are going to be needed in the future for local governments are going to be more quantified than they were in t past.

REP. STORY said on school mill levies, which don't require a super-majority, they are only in effect for one year and have t be voted on again the next year. He also asked if there was a bill that limited the number elections to two times for one issue. **Greg Petesch** said those were for school levy elections.

<u>Discussion on Amendment #5:</u>

Greg Petesch handed out **SENATOR HALLIGAN'S** amendment #5 **(EXHIBI 5)**. He explained the amendments.

CHAIRMAN HARP asked if these amendments would allow the phase-i percent to be included in I 105. **SENATOR HALLIGAN** said that was correct.

CHAIRMAN HARP asked if these amendments would go beyond the 199 tax dollars collected. **Greg Petesch** said that was correct.

REP. STORY said how does that relate to the mill reduction?. **Gr Petesch** said the phased-in portion would have to be added to th mill reduction in sub-section (b).

SENATOR HALLIGAN asked if it is two hundredths of a percent? **Gr Petesch** said this was correct.

SENATOR HARP said they are not limiting local governments, but giving them this authority, the counties have to have a significant turnout by voters and a trust factor that taxpayers will support it.

REP. HIBBARD asked if the phased in portion would be before or after the rate reduction. **Greg Petesch** said the rate reduction would offset the amount of revenue received, but would allow the phased-in portion to be excluded from the cap.

REP. HIBBARD said for dollar purposes that are flowing in as a result of reappraisal, the rate would be reduced. But, for the purpose of setting mill levies, the number before the mill reduction would be the number that would be applied. **Greg Petesch** said that was correct.

SENATOR HALLIGAN asked would this hurt or help the local governments. **Gordon Morris** said he would like to comment on this later.

Free Conference Com
EXHIBIT NO. 1
DATE 4-14-97
BILL NO. SB 195

Section 1. Section 15-6-134, MCA, is amended to read:

"**15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), and (1)(e) of this section is taxed at 3.86% of its market value.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.0216 percentage points each year until the tax rate is equal to or less than 2.78%.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ the rate provided in subsection (2)(a)(ii) of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is

determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a)(i).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of certain taxable property.** (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state~~ classes three, four, and ten. All other property must be revalued annually. The ~~department shall complete this~~ revaluation ~~program by~~ of classes three, four, and ten is complete on December 31, 1996. ~~A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued by December 31, 1996. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county.~~ The amount of the change in valuation from the 1996 base year for each property must be phased in each year at the rate of 2% of the total change in valuation.

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

~~(2)~~(3) Beginning January 1~~, 1997~~ of the year that the previous revaluation required in subsection (1) is completely phased in, the department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state at least every 3 years~~ classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county be revalued ~~at least every 3 years~~. The department shall furnish a copy of the plan and all amendments to the plan to the board of

county commissioners of each county."

Section 3. Section 77-1-208, MCA, is amended to read:

"**77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111 without any adjustments as a result of phasing in values. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 2.

(2) The board shall set the fee of each initial cabin site license or lease or each current cabin site license or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined under the method provided for in subsection (1).

(3) The board shall follow the procedures set forth in 77-6-302 through 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board."

2

EXHIBIT NO. 2
DATE 4-14-97
BILL NO. SB 195

Section 1. Section 15-7-102, MCA, is amended to read:

"**15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) The department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(i) change in ownership;

(ii) change in classification;

(iii) except a provided in subsection (1)(b), change in valuation; or

(iv) addition or subtraction of personal property affixed to the land.

(b) After the first year, the department is not required to mail the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an incremental change in valuation caused by the phasing in of a reappraisal.

~~(b)~~(c) The notice must include the following for the taxpayer's informational purposes:

(i) the total amount of mills levied against the property in the prior year;

~~(ii) the amount of the prior year's taxes resulting from levied mills;~~

~~(iii) an estimate of the current year's taxes based on the prior year's mills;~~ and

~~(iv)~~(ii) a statement that the notice is not a tax bill.

~~(c)~~(d) Any misinformation provided in the information required by subsection (1)~~(b)~~(c) does not affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

(2) (a) The department shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

(b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

(3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the department, on forms provided by the department for that purpose, within 30 days after receiving the notice of classification and appraisal from the department. The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of

the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review. After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

(4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an appraisal or classification upon the taxpayer's objection unless:

(a) the taxpayer has submitted an objection in writing; and

(b) the department has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. The department shall make the records available for inspection during regular office hours.

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

NEW SECTION. **Section 2. Extension of 1997 deadlines relating to property taxation.** As a result of the change in the base year for reappraisal of class three, four, and ten property enacted by the 55th legislature, it is not possible to comply with certain statutory deadlines relating to appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process will be delayed, which in turn will cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 1997, all deadlines are extended as necessary and reasonable, except the time limits allowed for filing an appeal remain the same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

NEW SECTION. **Section 3. Appropriation carryover.** Notwithstanding the provisions of 17-7-304, the department of revenue may carryover into the fiscal year commencing July 1, 1997, up to $425,000 of the unexpended portion of the appropriation to the department for the biennium ending June 30, 1997.

Free Conference Com
EXHIBIT NO. 3
DATE 4-14-97
BILL NO. SB 195

NEW SECTION. **Section 1. Property tax committee.** (1) There is an interim property tax committee. The committee consists of 12 members. The speaker of the house shall appoint six house members, three from each party, and the senate committee on committees shall appoint six senate members, three from each party.

(2) The committee may study all aspects of the state property tax system and shall prepare a menu of alternatives to revise, reform, or replace the property tax system. The alternatives should include methods that remove volatility from the valuation of property. The alternative methods should include options designed to supplement or replace the current valuation system in order to prevent the exclusive reliance on market value.

(3) In order to provide a wide-ranging series of options for consideration, each individual member of the committee may pursue proposals independently and receive staff assistance on the proposals. The committee may discuss and make suggestions on all proposals. A vote of one-fourth of the members may include a proposal on the menu of alternatives. The menu of alternatives must be presented to the legislature.

(4) The committee may solicit the advice of appropriate persons and entities as the committee considers necessary.

(5) The legislative branch shall provide staff support to the committee. The committee may contract for services as the committee considers necessary.

NEW SECTION. **Section 2. Appropriation.** There is appropriated from the general fund to the legislative branch $100,000 for the biennium for operating expenses and personnel services for operations of the property tax committee established in [section 9].

(4)

"**Section 1.** Section 7-6-2514, MCA, is amended to read:

"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

Section 2. Section 15-10-401, MCA, is amended to read:

"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~(2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 3. Section 15-10-402, MCA, is amended to read:

"**15-10-402. Property tax limited to ~~1986~~ 1996 levels.** ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~

~~indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 4. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1)(a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, or reclassification of property, then the taxing unit shall reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of

improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property ~~in each class~~ as a result of:

(a) a revaluation caused by~~:~~

~~(i)~~ construction, expansion, replacement, or remodeling of improvements that adds value to the property; ~~or~~

~~(ii) cyclical reappraisal;~~

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~(5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the

decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~ (7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~(ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) determine the total number of electors of the taxing unit who are qualified to vote from the list of electors supplied by the county registrar for the election;

(ii) determine the total number of qualified electors who voted at the taxing unit election from the tally sheets for the election;

(iii) calculate the percentage of qualified electors voting at the election by dividing the number determined in subsection (8)(b)(i) by the number determined in subsection (8)(b)(ii); and

(iv) when the calculated percentage in subsection (8)(b)(iii) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(v) when the calculated percentage in subsection (8)(b)(iii) is more than 30% but less than 40%, the levy is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(vi) when the calculated percentage in subsection (8)(b)(iii) is 30% or less, the proposition is rejected.

~~(11)~~(9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health.

A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 5. Section 15-36-323, MCA, is amended to read:

"**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412~~(10)~~(8), for which additional mills were levied in fiscal year 1990."

NEW SECTION. **Section 6. Repealer.** Section 15-10-411, MCA, is repealed.

5

Free Conference Co
EXHIBIT NO. 5
DATE 4-14-97
BILL NO. SB 195

Section A. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception. Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1)(a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, reclassification of property, or the phase-in of valuation, then the taxing unit must reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) the phased-in portion of cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property

~~in each class~~ as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or

(ii) the phased in portion of cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~(5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~(7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~ (ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) determine the total number of electors of the taxing unit who are qualified to vote from the list of electors supplied by the county registrar for the election;

(ii) determine the total number of qualified electors who voted at the taxing unit election from the tally sheet or sheets for the election;

(iii) calculate the percentage of qualified electors voting at the election by dividing the amount determined in subsection (8)(b)(i) by the amount determined in subsection (8)(b)(ii); and

(iv) when the calculated percentage in subsection (8)(b)(iii) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(v) when the calculated percentage in subsection (8)(b)(iii) is more than 30% but less than 40%, the proposition is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(vi) when the calculated percentage in subsection (8)(b)(iii) is 30% or less, the proposition is rejected.

~~(11)~~ (9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does

not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~(11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~(12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

ROLL CALL

FREE CONFERENCE or CONFERENCE COMMITTEE

ON BILL NO. SB 195

DATE 4/14/97 8:30 A.M.

NAME	PRESENT	ABSENT	EXCUSED
Sen John Harp	X		
Sen. Bruce Crippen	X		
Sen. Mike Halligan	X		
Rep. Chase Hibbard	X		
Rep. Dan Harrington	X		
Rep Bob Story	X		

CCROLL.F18

DATE 1-14-97 8:30 a.m.

SENATE COMMITTEE ON Free Conference Committee

BILLS BEING HEARD TODAY: SB 195

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Oppose
Donald R. Waldron	MREA	SB 195	—	
Gloria Paladichuk	Richland Develop.	SB 195	—	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 14, 1997, at 3:40 p.m., in Room 325.

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

Discussion:

CHAIRMAN JOHN HARP asked what are the qualifications for school elections? **Greg Petesch** said the school levy elections are ambiguous as currently written into the amendments. The I-105 section specifically provides that the tax limitation does not apply to school districts.

REP. DAN HARRINGTON said this should be clarified in the amendments. School districts do not come under I-105 right now and by doing this, it will clarify this issue.

Greg Petesch said he found information on election turnout rates. He said the only information that was available was general and primary election voter turnout. They do not keep statistics for municipal elections. In the last general election there was a 70 percent voter turnout and in the primary there was a 40 percent turnout.

SENATOR BRUCE CRIPPEN said what they are dealing with is whether they want to use the qualified voters as a base, to take a percentage on, or use another method. He said there are situations in some counties where there are a large number of qualified voters, but generally they don't always vote. A better

way of measuring these numbers is to look at how many voted in the last previous election.

SENATOR MIKE HALLIGAN said if they go to the number of voters that voted in the last general election there is a purging after the presidential election. He thought the qualified electors should be removed and look at who voted in the last general election.

CHAIRMAN HARP asked if election laws distinguish between primary and general elections? **Greg Petesch** said yes they do.

CHAIRMAN HARP asked if there would be two opportunities where an election could take place based on the turnout from the previous election. **Greg Petesch** said the primary and general elections are referred to as regularly scheduled elections in Montana.

SENATOR CRIPPEN said they want to have more than just a simple majority, and they want to give more protection to the taxpayers. It makes more sense for counties to rely on those that have voted, rather than those that just qualify.

CHAIRMAN HARP asked based on the 1996 elections, would voter turnout qualify for these standards? **Greg Petesch** said these elections are held in each taxing unit as opposed to the general statewide numbers which were given.

CHAIRMAN HARP said there are thousands of taxing units, and there are costs related to those. There is no way to determine how to make each of those general in regards to participation as each district is different. **Greg Petesch** said only the electors of each taxing unit are allowed to vote on mill levy increases in that taxing unit. Someone outside the district could not vote on that levy.

REP. HARRINGTON discussed amendment #4 **(EXHIBIT 1)**.

REP. CHASE HIBBARD said with the formula working the way it is at two percent and then having it reduced by the reduction ~~in~~ classification rate, class 3 will mitigate and is lower than class 4. The mill reduction will be very small to bring those three classes down to zero. **Greg Petesch** discussed amendment #4 **(EXHIBIT 1)**.

{Tape: 1; Side: A; Approx. Time Count: 3:54 p.m.; Comments: .}

CHAIRMAN HARP said he would like to work through amendment #1 and do the amendments in order.

Discussion on Amendment #1:

SENATOR CRIPPEN discussed amendment #1 **(EXHIBIT 2)**.

CHAIRMAN HARP said they are retaining the ability to re-value property in Montana, but they don't know when that will happe for sure. **Greg Petesch** said the way it is written, the re-evaluation will occur when the new values are phased in. Ever legislature that meets will have the opportunity to visit thi language. **Mick Robinson, Governors Office,** said he had some concerns with the present language and the 50 year phase in. said all other property must be re-valued annually except for those particular classes that are written into the language. said it needs to be written to where this phase-in is tempora in nature and is not expected to be a 50 year cycle. Right no is permanent in nature and causes significant problems in a constitutional standpoint when all other classes are re-value an annual basis.

CHAIRMAN HARP asked **Dennis Burr, Taxpayers Assoc.** what his thoughts were on the temporary provisions. **Dennis Burr** said th don't have to phase-in one reappraisal before they can start phasing in another one. He said there may also be decreases in property values and still be phasing in the increase from this period. He said two years from now the next Legislature may wa to know where property values have gone since the last reappraisal.

SENATOR HALLIGAN said he agrees that there needs to be a time certain and the temporary language may be okay but it needs to defined as to when it terminates etc. He asked if there was a constitutional issue if no time certain was put in. **Dave Woodgerd, MT Department of Revenue,** said he would be more comfortable with temporary language as market values can get c base from year to year.

SENATOR CRIPPEN asked which was more applicable, the language having a temporary solution or a specific time. **Dave Woodgerd** said as long as this is viewed as a temporary solution, the co system will also accept it as a temporary solution. He said at some point in the future they will probably be out of balance the actual market values as compared to the assessed values a the courts will over-rule that. He said if a time certain is p in place it is hard to say what will happen.

SENATOR CRIPPEN asked if in the past has there been legislatio enacted pertaining to this property tax reappraisal and has it been temporary in nature. **Dave Woodgerd** said there has been legislation enacted that has had the effect of being temporary but no specific legislation just dealing with property tax has been enacted.

CHAIRMAN HARP said in the Albright Case the window for reappraisal was 5 years. However, the average reappraisal has been seven years. He asked if it is safe to say that this will solid for the year 2001? **Dave Woodgerd** said based upon past history this appears to be accurate.

CHAIRMAN HARP asked what about in 4 years? **Dave Woodgerd** said it should be solid.

SENATOR HALLIGAN said they should still look at a date certai even if it is viewed as temporary language. **CHAIRMAN HARP** sai they could do it as an option of being temporary or up to 10 years.

REP. BOB STORY asked if they are referring to section 2 or th whole bill as being temporary? **CHAIRMAN HARP** said the way thi works is if the phase-in is temporary the ratcheting has to follow the same standard. **Greg Petesch** said he agreed.

SENATOR CRIPPEN used the example of the legislature saying th were going to phase this in and the reappraisal cycle was goi to be 10 years down the road versus a temporary view. He aske what would happen to all of these reappraisers if the cycle w 10 years. **Mary Bryson, MT Department of Revenue** said there ar other classes of property that are valued on an annually basi and that does require some additional staff. She said their department would have to take a look at what their needs woul to do a reappraisal. She said right now they are staffed to d three year reappraisal cycle.

SENATOR CRIPPEN said if they went to a 10 year cycle, with the exception of other classes of property, would there be a need a large staff? **Mary Bryson** said no there would not be.

SENATOR CRIPPEN said if they extend the reappraisal cycle, th the staff can be reduced as well as the cost.

SENATOR HALLIGAN said if they decide to do the 10 year cycle eliminate several reappraisers, the court will look at that a abandonment or disregard of a market value concept. **CHAIRMAN** said they can continue to do the two percent phase-in and the ratcheting without identifying the amount of years and allow temporary language. They do have this window of opportunity t hold property taxes down in Montana while they start to look property tax reform. Senate Bill 195 has always been a tempor measure and they know what their parameters are in this bill.

Motion:

REP. HIBBARD MOVED TO ADOPT THE TWO PERCENT PHASE-IN AND THE RATCHETING.

Discussion:

REP. HARRINGTON asked if there was any information of on what outcome of this would be from county to county? **CHAIRMAN HARP** passed out a county assessment sheet and discussed it **(EXHIBIT 3).**

{Tape: 1; Side: A; Approx. Time Count: 4:15 p.m.; Comments: .

SENATOR HALLIGAN asked what happens to a home where its values went down and how does the two percent and the ratcheting affect this home? **Greg Petesch** said the valuation for that declining property would be phased in at two percent of the decrease and the reduced tax rate would apply to that reduced value.

SENATOR HALLIGAN said if his house went from $100,000 to $90,000 would the 2 percent be applied to the $10,000? He also asked if he would still end up paying taxes on the $99,000 rather than the $90,000. **Greg Petesch** said yes at the reduced ratcheted tax rate.

CHAIRMAN HARP said based on the Albright Case, wasn't it stated that they will get as close as possible to equalizing all values in Montana and there has to be some flexibility in the way they assess property. **Greg Petesch** said one of the key phrases in the Albright Case was a reasonable approach. The idea of the phase-in is they are phasing in increases and decreases in the same manner. The decrease is being fazed in at the same rate as the increase and by that regard all taxpayers are treated the same.

Vote:

MOTION TO ADOPT THE PHASE-IN AND THE RATCHETING PASSED 4-2 WITH SENATOR HALLIGAN AND REP. HARRINGTON voting no.

Discussion on Amendment #2:

Greg Petesch explained amendment #2 **(EXHIBIT 4).**

REP. HIBBARD said there has been some concern from Yellowstone Co. and the timing of the assessment notices and the local budgets going out. Those assessment notices will go out in August under this bill. Under current law, budgets must be adopted by the 2nd week in August. There would be a short delay if those assessment notices where not set out until August. The concern by Yellowstone Co. was that there would be additional interest charged with this delay. **CHAIRMAN HARP** said he had the same concern. Normally, the assessments go out in June, but now they will not come out until the first of August and if the budget is set on the 2nd Monday in August then there will only be a small delay.

Gloria Paladichuk, Richland Co. said the only delay that would affect their county is the certified mills.

Motion:

REP. HIBBARD MOVED TO ADOPT AMENDMENT #2 (EXHIBIT 4).

Discussion:

SENATOR HALLIGAN asked if they were clear on where the money was going to come from? **Greg Petesch** said this money would otherwise be reverted from all appropriations to the department during the

last biennium. The Fiscal Analyst Staff did calculations and figuring in HB 497, there should be an excess of $2 Million.

Vote:

MOTION TO ADOPT AMENDMENT #2 PASSED UNANIMOUSLY.

Motion:

REP. HARRINGTON MOVED TO ADOPT AMENDMENTS #3 (EXHIBIT 5).

Discussion on Amendment #3:

SENATOR HALLIGAN said he wanted to make sure that this committee would be looking at a full range of the potential tax systems even though they know the focus will be on replacing the property tax system. There are several other types of taxes that relate to property tax and the whole mix needs to be looked at. He said the money for the committee is too low. If they are going to bring in the tax experts that are needed to do this, the fund needs to be larger. **CHAIRMAN HARP** said if **SENATOR HALLIGAN** had some proposals that he wanted to include as far as a mission dealing with tax reform, particularly property tax, now was the time to add them.

SENATOR HALLIGAN said this was discussed earlier that this committee was not specifically only looking at the property tax system but there may be discussion of other types of tax. If the interim committee decides that they need to look at a whole range of taxes to solve the property tax issue then they need to be able to have that flexibility.

SENATOR CRIPPEN said there really isn't any new ideas out there that nobody has ever discussed before. This interim committee is going to take some of those ideas and look at them in a more focused manner. He said they didn't have the time this legislative session to do this properly and the interim committee is the alternative.

Vote:

MOTION TO ADOPT AMENDMENT #3 PASSED UNANIMOUSLY.

Discussion on Amendment #4:

CHAIRMAN HARP said amendment #4 needs to be segregated and they should discuss market values first **(EXHIBIT 1)**.

SENATOR CRIPPEN said he is in favor of market values because this is a process of negotiation. He said some people don't care for market value and others feel it is the only way to go. Market value takes the middle ground and recognizes the concerns of some, but it also says they are not abandoning market value.

REP. HARRINGTON said he doesn't have any problems with putting market values in, but he doesn't know if they are accomplishing anything by putting it in there.

SENATOR HALLIGAN said they recently had a Supreme Court decision that upholds the way they do market value right now and it is foolish to abandon market value once they have had a major Supreme Court decision on it. If they go to a square footage or rental value it is like shifting taxes from west to east. The property is growing in the west and decreasing in the east. If he was a rural person, he would be afraid of moving away from market value.

CHAIRMAN HARP said land in Montana does not have to be tied to market value. Rental tax is an example of this. There is no place in the Constitution where market value is identified. He said lets look at the big picture and still keep our options open. He said senior citizens have been forced out of their homes because of increased market values outside of Montana's borders. If they could find a way to ease that and still treat all properties fair and equal in Montana, then it is worth looking at.

REP. HIBBARD said market values have led to huge increases. He said they have thought in terms of market value for so long that it is hard to think about it another way. There are a lot of property tax systems that don't involve market value. He said they need to open their minds and see if they can find some alternatives.

Motion/Vote:

SENATOR CRIPPEN MOVED TO ADOPT THE MARKET VALUE AMENDMENTS (EXHIBIT 1). MOTION CARRIED 4-2 WITH SENATOR HALLIGAN AND REP. HARRINGTON voting no.

Discussion:

CHAIRMAN HARP said the next section that needs to be dealt with is updating I-105 from 1986 to 1996. They are capping the actual dollar amount levied by each tax unit in Montana.

Motion/Vote:

REP. STORY MOVED TO ADOPT THE AMENDMENTS DEALING WITH 1996 DOLLAR AMOUNT FOR EACH TAXING UNIT. MOTION CARRIED UNANIMOUSLY.

{Tape: 1; Side: B; Approx. Time Count: 4:42 p.m.; Comments: .}

Discussion:

CHAIRMAN HARP said the next section deals with millage. There is still some concern and how it relates to the striking of the cyclical reappraisal, which was excluded from I-105. He said he would like to skip that for now and go on to the limit of tax

levy on non-levy revenues where counties that have oil and gas will be allowed to increase those revenues and not be affected by the 1996 taxing dollar units.

Motion:

REP. HIBBARD MOVED TO ADOPT THE AMENDMENTS CONCERNING COUNTIES THAT HAVE OIL AND GAS TO BE ALLOWED TO INCREASE THOSE REVENUES AND NOT BE AFFECTED BY THE 1996 TAXING DOLLAR UNITS.

Discussion:

SENATOR HALLIGAN asked how school districts will be affected by this revenue? **CHAIRMAN HARP** said basically when they look at oil, coal, and gas and look at net gross proceeds, counties have not enjoyed these increases in values, especially in eastern Montana.

Vote:

MOTION TO ADOPT THE AMENDMENTS PASSED UNANIMOUSLY.

Discussion on Amendment #5:

CHAIRMAN HARP said they are moving into an area where they have an occurrence of a taxing unit where taxable valuation is decreased by more than five percent. This would allow for additional mills to levied and voted upon.

Greg Petesch explained sub-section 6 of amendment #5 **(EXHIBIT 6)**.

CHAIRMAN HARP said at five percent or less they would be allowed to increase their ability to generate revenue for those losses. He asked if this would be a McCone Co. amendment. **Greg Petesch** said he believed they would be a jurisdiction that would be affected.

REP. HARRINGTON asked how many counties does this affect and how many have tried to move to five and above? **CHAIRMAN HARP** said right now this only affects five and below. Once they go to five and above then they have to be concerned about the voting issue.

Motion:

REP. STORY MOVED TO ADOPT THE AMENDMENTS DEALING WITH THE FIVE PERCENT AND BELOW.

Discussion:

REP. HIBBARD asked if Jefferson Co. loses their gold mine and it is greater than five percent, would the county would be able to recover the first five percent? **CHAIRMAN HARP** said he didn't think this was correct because if they were above five percent and it would have to go to a vote of the people. **Greg Petesch** said that is the way the proposal is currently written. If they

decline by more than five percent they go to the voters for any amount of increase. Below five percent they will automatically get that back.

REP. HARRINGTON said he doesn't understand why the counties couldn't go back and at least collect on some of this.

SENATOR HALLIGAN said this is a good provision for allowing the counties to get back the revenue that they would of lost for th less than five percent decrease.

Vote:

MOTION TO ADOPT THE AMENDMENTS OF FIVE PERCENT AND BELOW CARRIE UNANIMOUSLY.

Discussion:

Greg Petesch discussed the voting methods. He said they could require a 40 percent or greater turnout of the voters in the district tied to registered voters or voters who voted in the last election in the district. If less than 40 percent turned o then they would need a 60 percent approval of the measure.

REP. STORY said he has some concerns about voter turnout becaus they don't keep very good records on how many people voted in those elections. He said some districts may not have had an election for quite some time and have not kept records on this voter turnout.

CHAIRMAN HARP said what they are talking about is major county wide issues that affect all taxpayers.

Dennis Burr, Taxpayers Assoc., said currently the provision in the bill pertains to school levy or bond elections, which requires at least a 30 percent voter turnout. He said there are reasons for these stipulations in bond elections, because once bonds are sold and they have to be redeemed, they can sell people's property that live in the district to repay those bond if there is no other way to pay for them. He said they are not dealing with that in local government issues, they are not goin to have to sell people's property to get the money back. If it an open ended levy, that could be a justification for a higher majority. He said he doesn't care for a super-majority on thes types of things, because the people who didn't go to the poles are counted as voting no. He said there has been elections wher he hasn't voted, but that doesn't mean he would of voted no. If the local government has a resolution to vote on the mill levy for five mills for the county road fund and they specify a date certain of when that mill levy will expire, then that could be a simple majority. If it is designated as a mill levy that will go on forever, then maybe this will require a larger majority. For these types of measures in which local governments are aski their constituents for an increase in taxes and they specify wh

the money is to be used for then the simple majority is sufficient.

Alec Hansen, MT League of Cities and Towns, said city elections are held in odd numbered years. He said they don't have the ability to tag into a statewide general election without going t the cost of a special election. He said if they are going to commit the tax-payers to bonding for five years then a super majority requirement would fit. But on issues of increasing mil levies, the simple majority is sufficient. A person should not l able to vote no by staying home and the goal of any election is participation. If the issue is important, people will show up, but they can't guarantee 40 percent will show up.

Gordon Morris, MACo, said a taxing unit means something very specific and they can't think in county wide consequences. Even the county is not a county wide taxing unit for all purposes. Lewis and Clark Co. is a taxing unit for general governmental purposes relative to the General Fund. But if they take the roac fund that affects people in each taxing unit in different parts of the county. Under I-105, they can't impose a tax liability or somebody in the taxing unit who is not affected relative to current law. He said a county can't reduce a road fund levy and use it to fund the General Fund or visa versus. The road levy is a taxing unit, the General Fund is a taxing unit, and the planning department is a taxing unit, etc. The voting records ar there and are accurate in every instance in regards to these taxing units.

SENATOR CRIPPEN said the reason they have I-105 is because they might have a 30 percent turnout and 51 percent vote to increase property taxes for everybody who lives in the county. He said i they went to a majority then the only other alternative is to g to a capping mechanism. There would have to be the cap on the length of time and a dollar or percentage cap on the money. **Gordon Morris** said originally under I-105 the duration was one year and the increase was whatever the voters would approve. Since then they have gone to an indefinite duration and no limit on the increase. This is where they need to be in this bill also

{Tape: 2; Side: A; Approx. Time Count: 5:04 p.m.; Comments: .}

CHAIRMAN HARP said maybe there is some middle ground as far as the contract, the time, and the dollar amount that the voters would have in taxing unit. He asked if the counties would come back with a proposal for suggested methods of voting on these issues. He said the mood of the public is one of caution when voting on increases in property taxes. **Gordon Morris** said if th committee is suggesting further restrictions in terms of voting, then he doesn't support the bill. He supports it the way it is now.

CHAIRMAN HARP asked if he supported it with the current restrictions? **Gordon Morris** said that was correct as outlined in sub-section 8(a).

CHAIRMAN HARP asked him if he support sub-section 8(b). **Gordon Morris** said they don't need to tie this down to a vote based on the super-majority. He suggested striking sub-section (b). But i they are not going to strike it, then tie it to the voter turnou percentage in the last general election. **Alec Hansen** said he would object to a reasonable limit. He said he prefers to see a limit on the amount of money that can be raised.

Discussion on Cyclical Reappraisal:

CHAIRMAN HARP said they also need to discuss the millage reduction where taxable values are greater than the average and also the elimination of cyclical reappraisal that is currently in I-105. He said they have already accepted the phase-in and the ratcheting down.

Greg Petesch explained amendment #4 concerning cyclical reappraisal. **(EXHIBIT 1)**

CHAIRMAN HARP said lets talk about taxable valuation with county mills and the exclusion of cyclical reappraisal pertained in I-105.

SENATOR CRIPPEN said one thing that concerns him is they may be ratcheting down so fine that it should not be done. **Greg Petesch** discussed the example of the Sweet Grass Co. handout **(EXHIBIT 3)**.

CHAIRMAN HARP said with the City of Big Timber, they are using the most drastic example in Montana due to reappraisal. By changing the millage, a property owner in Sweet Grass Co. that owns a home will pay less than he would of before reappraisal. He said the millage section of this bill is overkill. He said they need to strike the cyclical reappraisal and let the natural occurrence take place.

REP. HIBBARD said he agreed because they are not just talking about class 4 property but also classes 3 and 10. If those classes are added it will wipe out any increase that mills would have to be adjusted for anyway.

REP. STORY said if the cyclical reappraisal would of never been included in I-105 in the first place they wouldn't be here today

SENATOR HALLIGAN asked if tax increment districts were at any wa affected. **Greg Petesch** said no.

SENATOR HALLIGAN said he would like to discuss a back up plan in case this bill doesn't hold up in court and is found unconstitutional.

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 15, 1997, at 6:30 a.m., in Room 325.

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

CHAIRMAN JOHN HARP discussed amendment #4 **(EXHIBIT 1)**.

Dave Woodgerd, MT Department of Revenue, discussed amendment #4. **(EXHIBIT 1)**.

CHAIRMAN HARP asked how many individual pieces of property are there in Montana? **Dave Woodgerd** said he thought it was around 700,000.

SENATOR MIKE HALLIGAN asked what the difference is between the two sections in amendment #4. **Dave Woodgerd** said the first one is restricting the taxing unit and how much taxable value it can have. The second one is restricting the actual tax liability on an individual piece of property. **Dennis Burr, Taxpayers Assoc.** said striking section 4 would make it more simple.

CHAIRMAN HARP asked if there is a reason to have section 4, if cyclical reappraisal is stuck? **Greg Petesch** said this is one of the things most people have found confusing about I-105. There are two actual caps within it, one is on the unit itself and the other is on individual property with all of these exemptions. The statewide policy has tended to deal with taxing units and this sub-section has been largely ignored.

Vote:

REP. CHASE HIBBARD MOVED TO STRIKE SECTION 4 IN ITS ENTIRETY.

Discussion:

REP. DAN HARRINGTON asked if that took out the mills too. **CHAIRMAN HARP** said no, that is covered in the other section and this just deals with individual properties.

CHAIRMAN HARP asked if this provision had ever been used. **Greg Petesch** said he didn't know for sure.

REP. BOB STORY asked if sub-section 4 deals with the individual property owner and is the mill cap included in this section to prevent a tax increase on an individual property owner. And does the other section deal with the dollar cap on local government. **Greg Petesch** said yes.

REP. HIBBARD asked if this section has ever been used? **Greg Petesch** said it is somewhat inconsistent with the taxing unit section. It is very difficult for a taxing jurisdiction to go back and make sure each individual piece of property is not being affected by a taxing policy, with the exception of construction, expansion, and remodeling, which cause the individual property to go up. Cyclical reappraisal certainly causes individual pieces of property to go up.

REP HIBBARD asked if there would be any problems if this was stricken. **Greg Petesch** said this has always been a problem. There can't be a cap on each individual parcel and have general laws that operate uniformly. There is an internal contradiction between a taxing unit cap and an individual property cap.

SENATOR BRUCE CRIPPEN used the example of a developer buying a piece of property that borderlines the city limits, but is classified as Agriculture. He brings the property into the city limits and puts in a housing development. Two things have happened; he is now in the taxing unit of the city and the character of the property has changed. If this is taken out would this type of change still be covered under section 2. **Greg Petesch** said yes, section 2, covers the valuation of the entire taxing unit, it doesn't address individual pieces of property. But when the property came into the city limits then it would be subjected to city taxes. We already deal with increases in value because of improvements. The effect on the parcel would be the same whether this was here or not.

Vote:

MOTION TO STRIKE SECTION 4 CARRIED UNANIMOUSLY.

{Tape: 1; Side: A; Approx. Time Count: 6:46 a.m.; Comments: .}

Discussion:

Gordon Morris, MT Assoc. of Counties, discussed some examples o a five percent increase impact on counties. **(EXHIBIT 2).** He al passed out and discussed an editorial **(EXHIBIT 3).** He discusse amendment #4, option 1 **(EXHIBIT 4).**

SENATOR HALLIGAN asked why are they using the six years and wh is going to be levied that in 5 years it will be taken off? **Gordon Morris** said the assumption would be that you would not take it off because general depreciation would take care of it. The reason they came up with six is it would coincide with general election cycles.

Alec Hansen, MT League of Cities and Towns, passed out a sheet concerning the effects of a five percent property tax increase **(EXHIBIT 5).** He said any tax increase of five percent or less f a duration of less than six years would be passed by a simple majority. Anything over five percent and longer than six years would require a higher voting standard. He said a five percent increase in the cities and towns will not have a devastating effect on the local taxpayers. This is not a long term obligati and it is not permanent.

Greg Petesch said they currently have the school bond election requirements applying to any vote. He said under the amendments proposed by local governments they are allowing everyone to get back to where they were in 1996.

CHAIRMAN HARP asked if there was a local government who's value for some reason had dropped, can they can automatically get back the 1996 tax dollars? **Greg Petesch** said yes, but with one exception, if there is a catastrophic loss and the valuation goe down by five percent or more they have to go to the vote provision. He discussed amendment #4, option 1 **(EXHIBIT 4).**

REP. STORY asked if the general election was the November election. **Greg Petesch** stated yes.

REP. STORY asked if the Presidential election would have a greater turnout, percentage wise than other general elections. **Greg Petesch** said in the last general election there was a 70 percent voter turnout statewide.

REP. STORY said he would assume that if it is not a general election that the percent turnout would be around 50-60 percent and if you take 40 percent of that it is not very many people. **Joe Lamson, Office of Public Instruction,** said since 1980 there hasn't been a big change in numbers between non-presidential and presidential years. The average has been around 70 percent.

CHAIRMAN HARP said they are not just discussing general elections, but using the term regular elections. **Greg Petesch** said this is different than that. Regular elections are those

that are regularly scheduled and would include a primary. Statewide general election is the November election.

CHAIRMAN HARP asked if they used the word regular that would give a taxing unity more opportunities to get their issue before the taxpayer. **Greg Petesch** said that was correct.

REP. HIBBARD said when they are talking about imposing restrictions like this, it would be helpful if they knew how many elections didn't get a 40 percent turnout. **Alec Hansen** said a city election rarely gets a 40 percent turnout. He said Missoula just recently had an election concerning open space and they did not get a 40 percent turnout, however there was no question about whether people supported it or not. He said last fall, Helena had their open space initiative tied in with the general election and had well over 40 percent, but the only problem they had was counting the votes because the precincts don't fall inside and out of the city as they should.

{Tape: 1; Side: A; Approx. Time Count: 7:09 a.m.; Comments: .}

CHAIRMAN HARP asked about a major bond issue in Missoula Co. to purchase or set in place a regional prison and was that held during the last general election? **SENATOR HALLIGAN** said that was correct.

CHAIRMAN HARP asked about the open space initiative that was on the ballot, what election cycle was that under in Missoula. **Alec Hansen** said it was a city election.

CHAIRMAN HARP asked if they were under the same provisions as school bond elections? **Alec Hansen** said they are the same as school elections. There was a strong majority for the proposal, but they didn't meet the percentage standard.

REP. STORY asked how do they determine the number of qualified electors? **Greg Petesch** said the motor voter laws have made it much easier to increase the qualified electors and they don't get the immediate purging effect of voter lists that they used to get. Voters are placed on an inactive list and in order to get off of that list all they have to do is vote. This will increase the number of qualified voters and they have made it easier for people to register to vote.

REP. STORY asked if there had been an increase in these numbers. **Greg Petesch** said he didn't know

CHAIRMAN HARP asked if the motor voter has been in effect for the last two years. **Greg Petesch** said it has been phased-in over the past four years.

REP. STORY said there is a concern here with the amendments, because in school elections those mills have to be voted on every

year by a simple majority. If the people don't support them every year they come off.

Greg Petesch handed out amendments with temporary provisions and explained them **(EXHIBIT 6).**

CHAIRMAN HARP said it will be at least four years before a reappraisal takes place and how would the Department of Revenue manage their work force? **Mary Bryson, Department of Revenue,** said it takes three years to complete a reappraisal. Right now they are planning the next reappraisal as the last one was just completed. She said right now they only have one year to implement this legislation and they would start the next reappraisal cycle in January 1998.

CHAIRMAN HARP said this bill is striking 1997 so would the reappraisal have to start in 1998? **Mary Bryson** said maybe she didn't understand the amendment, because as she reads it the next reappraisal will go into effect January 1, 2001.

CHAIRMAN HARP said January 1, 2001 is when the reappraisal will start, not when it will go into effect.

SENATOR CRIPPEN asked how many reappraisers can the department get rid of? **Mary Bryson** said she needed more time to look at this.

SENATOR HALLIGAN asked if they are going to a time certain they need to look at the situation in Sweetgrass Grass Co. where a $100,000 home is paying $212 and in Circle the same $100,000 home is paying $400 and someone could challenge this in court. **CHAIRMAN HARP** said in Circle the reason those taxes are higher has nothing to do with reappraisal and valuation. When net gross proceeds where taken away in those counties, they shifted all of the dollars on the residential property taxpayers. **Dave Woodgerd** said if a taxpayer does come to court and argue that they are being unfairly treated because of this system, then the court will more than likely strike down that tax. When we say this is temporary then we are okay. People didn't know what their fair market value was before, but they do now and if this disparity becomes big enough, the court will rule this type of system down.

SENATOR HALLIGAN asked if the timing was a problem in that this will not begin until 2001 and would be completed in 2002 or later. **Dave Woodgerd** said the way he understands this language is the new values will be implemented in 2001 and perhaps this needs to be clarified.

SENATOR CRIPPEN asked how many years was there between 1986 and the next reappraisal. **Dave Woodgerd** said there was 10 years.

SENATOR CRIPPEN asked if there was any challenges during that time. **Dave Woodgerd** stated no.

SENATOR CRIPPEN asked what the reasoning was for 10 years. **Dave Woodgerd** said it was a departmental decision.

SENATOR CRIPPEN said if they get beyond four years by action of the Legislature, could that be declared unconstitutional. **Dave Woodgerd** said in those ten years nobody could say what their market value was for sure. However, under this legislation, they will have actual appraisal numbers and the more years between reappraisals the greater the disparity will be in numbers.

SENATOR CRIPPEN asked if the determination was on the fair mark values rather than the length of time? **Dave Woodgerd** said it is the difference in fair market values and the time is not as important.

SENATOR CRIPPEN asked if in the Albright Decision if the court dealt with the concept of fair market value. **Dave Woodgerd** said yes they did. They determined fair market value to be the standard.

SENATOR CRIPPEN said in the Albright Case they said there was other ways of determining this without using fair market value. He said although fair market value is important, it is not as important as how you apply the system statewide. He asked if North Dakota had a 10 year reappraisal and do they use fair market value. **Dave Woodgerd** said yes they do.

CHAIRMAN HARP said with class 3 and 4 and with the phase in, ratcheting and using 1996 values, the Montana Legislature is acting reasonable to all taxpayers. **Dave Woodgerd** said yes, he believed that was true. He said, they can tell the court system that the Legislature recognized there was a problem and felt something needed to be done to deal with this problem and to ha a study committee that would come back in the next session and look at those provisions.

CHAIRMAN HARP asked if they are on good constitutional ground with a reasonable approach for all taxpayers in Montana. **Dave Woodgerd** said yes.

CHAIRMAN HARP said the information is so refined that the abil for individual taxpayers to know what their values are is so accurate that the longer they extend the time, the more potent they will have that it may end up in court. There is a reason setting a time certain because there is a real interest in looking at other solutions to how we tax in Montana. He asked the way the bill is drafted right now, that the Legislature ca retain the right to revalue property as quick as the next session? **Dave Woodgerd** said he agreed.

REP HIBBARD said if they put on a date certain for another reappraisal it takes the pressure off for finding a more permanent solution. He is beginning to lean against having the temporary language that was discussed before.

{Tape: 1; Side: B; Approx. Time Count: 7:40 p.m.; Comments: .}

SENATOR HALLIGAN said if they don't look at something, the taxpayer is going to come in with accurate data and challenge this. Then if they throw out this system, the trust is lost and they have the full 1996 reappraisal going into effect. Time certain may delete the pressure, but it needs to be started sooner.

CHAIRMAN HARP asked what the management of personnel would be i the Department of Revenue? **Mary Bryson** said if the reappraisal cycle started in January 1, 2001, then they would come back to the 1999 legislature with a reduction in personnel.

SENATOR CRIPPEN asked what does the department have all of this staff for and could they reduce the staff by 40 FTE's? **Mary Bryson** said they anticipate that there might be 40 FTE's that would be needed for reappraisal. She didn't know if the department would be willing to give up 40 FTE's for the 1999 biennium. She said to implement this legislation they would nee a full staff for 1998.

REP. HARRINGTON asked if the department starts dismantling its staff and along the way this situation comes into conflict with the Constitution and there are changes, how will the department handle this. **Mary Bryson** said if the Legislature came back in t years and put back into place what they currently have, then th department would not be able to respond as quickly.

REP. HARRINGTON said in past years the Legislature has been on the Department to move these reappraisals forward and sometimes they were not done. He asked if the Department thought they wer moving in the other direction. **Mary Bryson** said yes, currently they are on a three years cycle and now they are extending it t ten years.

REP. HARRINGTON said there are a lot of ideas about temporary v permanent and how they are going to dismantling the system and this causes some problems. If they are really ready to move to different system and how they were going to do it, then the department would know what direction to move in. He said as it stands right now he has some serious problems with it.

CHAIRMAN HARP said if they don't put something in motion nothin ever occurs in government. What they are doing here is putting something in motion to try and stop this massive increase due t reappraisal and have a study committee come up with some alternatives. He asked how much the last reappraisal cost? **Mary Bryson** said the annual budget of the property reappraisal division is $11 Million. And they use approximately $8 Million for reappraisal.

CHAIRMAN HARP said if they take these 40 FTE's is it going to be less than $1 Million. **Mary Bryson** said it would be between $1-$2 Million.

CHAIRMAN HARP said over 67 percent of the department's current dollars would stay in place to continue reappraising properties in Montana for new construction and properties that are valued annually. **Mary Bryson** said that was correct.

CHAIRMAN HARP asked if they considered this as a dismantling of their department. **Mary Bryson** said no, but the Department would have to look at the whole system and what kind of resources are available.

CHAIRMAN HARP asked if it was more of a management decision? **Mary Bryson** said yes except for in some counties they only have one or two people and it is difficult to take 40 percent of person and dismantle them from the Department.

SENATOR HALLIGAN said there is the ability for an entity to get back revenue that was lost as a result of losses from coal, oil and gas gross proceeds. What happens to a community that loses a couple of casinos that are gambling for that non-levy revenue. **Greg Petesch** said in the provision there has been a non-levy tie for these sources for I-105 exemptions. There has never been a tie for other non-levy revenues, for example building code fees, liquor licenses, etc.

Free Conference Com.
EXHIBIT NO. 1
DATE 4-15-97 6:30 a.m.
BILL NO. SB 195

"**Section 1.** Section 7-6-2514, MCA, is amended to read:

"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

Section 2. Section 15-10-401, MCA, is amended to read:

"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~(2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 3. Section 15-10-402, MCA, is amended to read:

"**15-10-402. Property tax limited to ~~1986~~ 1996 levels.** ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~

~~indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 4. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1)(a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, or reclassification of property, then the taxing unit shall reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of

improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property ~~in each class~~ as a result of:

(a) a revaluation caused by~~:~~

~~(i)~~ construction, expansion, replacement, or remodeling of improvements that adds value to the property; ~~or~~

~~(ii) cyclical reappraisal;~~

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~(5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the

decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~ (7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~(ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) determine the total number of electors of the taxing unit who are qualified to vote from the list of electors supplied by the county registrar for the election;

(ii) determine the total number of qualified electors who voted at the taxing unit election from the tally sheets for the election;

(iii) calculate the percentage of qualified electors voting at the election by dividing the number determined in subsection (8)(b)(i) by the number determined in subsection (8)(b)(ii); and

(iv) when the calculated percentage in subsection (8)(b)(iii) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(v) when the calculated percentage in subsection (8)(b)(iii) is more than 30% but less than 40%, the levy is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(vi) when the calculated percentage in subsection (8)(b)(iii) is 30% or less, the proposition is rejected.

~~(11)~~(9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health.

A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 5. Section 15-36-323, MCA, is amended to read:

"**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412~~(10)~~(8), for which additional mills were levied in fiscal year 1990."

NEW SECTION. **Section 6. Repealer.** Section 15-10-411, MCA, is repealed.

2

Free Conference Com.
EXHIBIT NO. 3
DATE 4-15-97 6:30 AM
BILL NO. SB 195

SENATE BILL 195 ANALYSIS-----MONTANA ASSOCIATION OF COUNTIES

ASSUMPTIONS: The base year is tax year 1996 and the proposal is an increase in the County General Fund of 5% and the impacts analysed in terms of the dollar increase in taxes on a $100,000 piece of property.

Flathead County

		5% Increase
GF Property tax	$1,205,993	$1,266,293
Mill levy	8.806	9.246
Property taxes	$33.99	$35.69

Lake County

		5% Increase
GF Property tax	$706,104	$741,409
Mill levy	16.102	16.907
Property taxes	$62.15	$65.26

Lewis and Clark County

		5% Increase
GF Property tax	$2,049,700	$2,152,185
Mill levy	25.000	26.250
Property taxes	$96.50	$101.33

McCone County

		5% Increase
GF Property tax	$223,670	$234,854
Mill levy	28.130	29.538
Property taxes	$108.58	$114.02

Missoula County

		5% Increase
GF Property tax	$6,521,168	$6,847,226
Mill levy	45.050	47.303
Property taxes	$173.89	$182.59

Stillwater County

		5% Increase
GF Property tax	$471,288	$494,852
Mill levy	18.500	22.795
Property taxes	$71.41	$87.99

Yellowstone County

		5% Increase
GF Property tax	$2,195,640	$2,305,422
Mill levy	9.630	10.315
Property taxes	$37.17	$39.82

3

Education paces government job growth

Government is growing like a cancer in Montana, eating up more and more of our income, right?

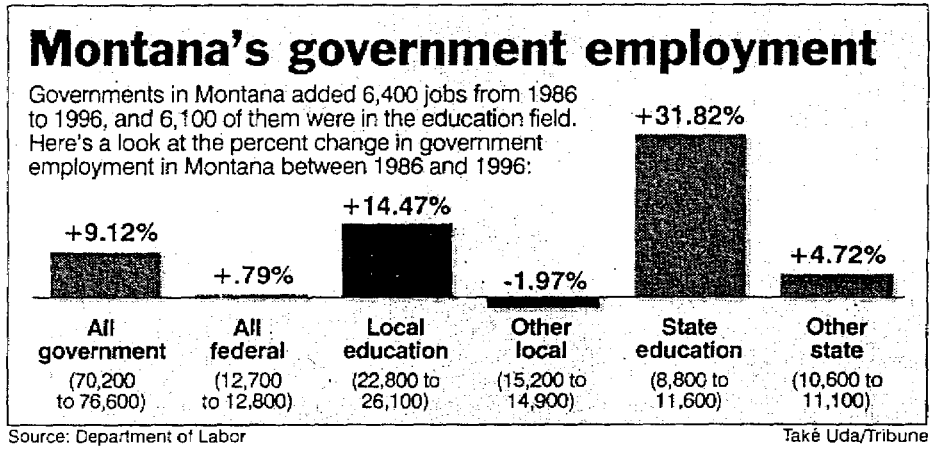
But education is being squeezed to the point where school systems can't make ends meet. That's why legislators were forced to come up with additional funding this session, right?

Wrong. Both times.

Labor Department statistics show that government in Montana has barely grown over the past 11 years — except in education.

In 1986, there were 12,700 non-military federal employees in Montana; by 1996, there were 12,800. Excluding educators, the number of state employees rose slightly, while the number of local employees dropped a bit.

The exception was in education. In that period, governments in Montana gained 6,400 employees — and 6,100 of them were in education.


Montana's government employment
Governments in Montana added 6,400 jobs from 1986 to 1996, and 6,100 of them were in the education field. Here's a look at the percent change in government employment in Montana between 1986 and 1996:
+9.12%
+.79%
+14.47%
-1.97%
+31.82%
+4.72%
All government (70,200 to 76,600)
All federal (12,700 to 12,800)
Local education (22,800 to 26,100)
Other local (15,200 to 14,900)
State education (8,800 to 11,600)
Other state (10,600 to 11,100)
Source: Department of Labor
Take Uda/Tribune

In fact, the number of educators grew at 19.3 percent over that 11 years, nearly three times the growth in population (7.6 percent).

Why? A lot of that growth came in special education, meeting federal mandates and the changing needs of our student population, although a growing population also requires a growing number of educators.

Well, if government grew from 70,200 employees in 1986 to 76,600 employees in 1996, surely it's eating up more of our income, right?

Wrong. Our income increased from $9.9 billion in 1986 to $16.7 billion in 1996, far surpassing the increase in the size of government.

As a result, the percent of our income that we spend on state and local government dropped from 13.5 percent in 1986 to 11.8 percent in 1996. In that same period, the percentage of our income that goes strictly to state government dropped from 10 percent to 8.7 percent.

What to make of all these numbers?

Education officials have no cause to complain about lack of support for education, and the tax-cut zealots have no reason to be whining about the size of government either.

The folks who have taken the cuts — without much outcry, for the most part — have been employees of the city and county governments. They deserve our gratitude.

We appreciate history

Call me a hayseed.

But I happen to like living in these parts.

And I really happen to dislike the smug, nose-in-the-air attitude of some of my state mates west of the Rockies.

Normally, I suffer these fools in silence.

I ignore babble about our wind, our flatness, our cowpie culture and all the other things we're ridiculed for by the snooty westsiders.

But now we have a Missoula professor — a history professor for crying out loud — carping at Great Falls because we get so worked up about Lewis & Clark.

In case you missed it, University of Montana professor Harry Fritz took his shots at us while chose to take an extended vacation in these parts. But many of us have spent hours hunched over maps or reading their journals, trying to get a sense of the rigorous journey. Some of us have even dragged a canoe into the river, hoping to catch just a glimpse of what they saw in their travels.

And, yes, we're a bit proud that we're within spittin' distance of where they set up camp.

We don't want to romanticize their expedition. But we do want to commemorate it and celebrate it. Hence the festivals, the fun run, the interpretive center and all the hoopla.

4 #4 option 1

S.F. Conference Com.
EXHIBIT NO. 4
DATE 4-15-97
BILL NO. SB 195

"**Section 1.** Section 7-6-2514, MCA, is amended to read:

"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

Section 2. Section 15-10-401, MCA, is amended to read:

"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~(2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 3. Section 15-10-402, MCA, is amended to read:

"**15-10-402. Property tax limited to ~~1986~~ 1996 levels.** ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~

~~indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 4. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36,

part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property ~~in each class~~ as a result of:

(a) a revaluation caused by~~:~~

~~(i)~~ construction, expansion, replacement, or remodeling of improvements that adds value to the property; ~~or~~

~~(ii) cyclical reappraisal;~~

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~ (5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in

the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~(7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to

adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~ (ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) if the amount of the levy is for a tax increase of 5% or less and is for a period of 6 years of less, the levy may be adopted by a majority of the electors voting on the issue;

(ii) if the amount of the levy is for a tax increase of more than 5% or is for a period of more than 6 years:

(A) determine the total number of qualified electors who voted in that taxing unit in the last statewide general election;

(B) when the number of electors voting in the levy election is equal to or greater than 40% of the number calculated in subsection (8)(b)(ii)(A), the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(C) when number of electors voting in the levy election is more than 30% but less than 40% of the number calculated in subsection (8)(b)(ii)(A), the levy is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(D) when the number of electors voting in the levy election is 30% or less of the number calculated in subsection (8)(b)(ii)(A), the proposition is rejected.

(c) The election provisions of this section do not apply to school levy elections.

~~(11)~~ (9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~(10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~(11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~(12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 5. Section 15-36-323, MCA, is amended to read:

"**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412~~(10)~~(8), for which additional mills were levied in fiscal year 1990."

NEW SECTION. **Section 6. Repealer.** Section 15-10-411, MCA, is repealed.

4

MONTANA LEAGUE OF CITIES AND TOWNS

P.O. BOX 1704 -- HELENA, MT 59624

406-442-8768

Free Conference Com
EXHIBIT NO. 5
DATE 4-15-97 6:30 AM
BILL NO. SB 195

April 14, 1997

MEMORANDUM

Effects of a 5% Property Tax Increase
Random Cities and Towns

Municipality	1997 property tax	x5%	prospective tax
Kalispell	$2,184,192	$109,209	$2,293,401
Helena	3,282,186	164,109	3,446,296
Havre	1,132,415	56,620	1,189,036
Billings	10,677,241	533,582	11.211,103
Sidney	500,393	25,019	525,412
Culbertson	52,670	2,633	55,304

5

Set #1 w/ temporary provision Free Conference Com.

EXHIBIT NO. 6
DATE 4-15-97
BILL NO. taxable SB 195

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), and (1)(e) of this section is taxed at 3.86% of its market value.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.022 percentage points each year until the tax rate is equal to or less than 2.78%.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ the rate provided in subsection (2)(a)(ii) of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is

determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a)(i).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of certain taxable property.** (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state~~ classes three, four, and ten. All other property must be revalued annually. The ~~department shall complete this~~ revaluation ~~program by~~ of classes three, four, and ten is complete on December 31, 1996. ~~A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued by December 31, 1996. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county.~~ The amount of the change in valuation from the 1996 base year for each property must be phased in each year at the rate of 2% of the total change in valuation.

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

~~(2)~~(3) Beginning January 1~~, 1997~~ 2001, the department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state at least every 3 years~~ classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county be revalued ~~at least every 3 years~~. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county."

Section 3. Section 77-1-208, MCA, is amended to read:

"**77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111 without any adjustments as a result of phasing in values. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 2.

(2) The board shall set the fee of each initial cabin site license or lease or each current cabin site license or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined under the method provided for in subsection (1).

(3) The board shall follow the procedures set forth in 77-6-302 through 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board."

ROLL CALL

FREE CONFERENCE or CONFERENCE COMMITTEE

ON BILL NO. SB 195

DATE 4/15/97 6:30 A.M

NAME	PRESENT	ABSENT	EXCUSED
Sen John Harp	X		
Sen. Bruce Crippen	X		
Sen Mike Halligan	X		
Rep. Chase Hibbard	X		
Rep. Dan Harrington	X		
Rep Bob Story	X		

CCROLL.F18

DATE 4/15/97 6:30 ~~P.M.~~ A.M.

SENATE COMMITTEE ON Free Conference Com

BILLS BEING HEARD TODAY: SB 195

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Oppose
Gloria Paladichuk	Richland Development			

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 16, 1997, at a.m., in Room 325.

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

Greg Petesch, Legislative Services Division, explained amendme #1 with revised temporary language **(EXHIBIT 1).**

Dave Woodgerd, MT Department of Revenue, said this language is now clear that the department would begin the reappraisal in 2 and be done by 2004.

SENATOR MIKE HALLIGAN asked what this language meant and are t revaluing or is it going to be implemented. **Dave Woodgerd** said the two percent phase-in only applies to the 1996 values. In s section (3) the new values would be put on the properties in 2004.

REP. BOB STORY asked since all they are changing in sub-sectic (3) is the dates and the two percent phase-in will stay in the language, anything that is above $40,000 would be phased-in al **Greg Petesch** said any change from the base year is subject to phase-in, however the Legislature will meet at least three tim and will be able to address that.

CHAIRMAN JOHN HARP said he would like to change the dates on t amendment. The window would be 10 years instead of four. This would make the starting date at 2007 and the finishing date at 2010. This will expand the time to look at reappraisal.

{Tape: 1; Side: A; Approx. Time Count: ; Comments: Tape is b
from this point on, minutes are taken from the secretary's notes.}

REP. DAN HARRINGTON said if they take out cyclical reappraisa they are moving away from the basis of the system and this c create a problem.

SENATOR HALLIGAN said there is some disparity between market value as it fluctuates. If this reappraisal doesn't happen u 2007, the court could step in and say they have abandoned th process. **Dave Woodgerd** said he had some of the same concerns said if the legislature is looking at this as being a tempor solution and not permanent, then it needs to be clarified.

SENATOR BRUCE CRIPPEN said he would support extending it out ten years. Another Legislature can come in and change the ca the percentage increases, or change everything they have wor on. Four years is not long enough and ten years would give t more time.

REP. CHASE HIBBARD asked if the department started their reappraisal in 2007 would it be finished in 2010. **CHAIRMAN HA** stated that was correct.

Motion/Vote:

CHAIRMAN HARP MOVED TO ADOPT IN SECTION 2, SUB-SECTION (3) T STRIKE "2001" AND INSERT "2007" AND STRIKE "2004" AND INSERT "2010." MOTION PASSED 4-2 WITH SENATOR HALLIGAN AND REP. HARRINGTON voting no.

Discussion:

REP. HIBBARD asked if in the next two years what kind of dem will there be on the property staff and would the department start reducing their staff. **Mary Bryson, MT Department of Revenue,** said it will take them from now until April to fini reappraisal work. She said there are other properties reappr on an annual basis and new construction has to be dealt with also. They will start reducing their staff as a result of th legislation, but she didn't know how many they would cut.

REP. HIBBARD said this could end up being a permanent soluti But if they change it and the department has already dismant their staff, then they would have to revalue their program.

CHAIRMAN HARP said they don't want to dismantle the Departme Revenue. He asked if they put language in addressing that th interim committee must report back to the 1999 Legislature w this help? **Dave Woodgerd, Department of Revenue** said it woul help in court cases.

REP. STORY said they might want to extend the three years reappraisal cycle out to a longer period of years.

REP. HARRINGTON asked how the reduction of the FTE's would af the department. **Mary Bryson** said that is something their department would have to look at and if they do this reductio they will probably do it over a three to four year period to it easier.

REP. HARRINGTON asked if they reduced the staff by 40 FTE's o the next two bienniums it would more practical than reducing of them at once. **Mary Bryson** said yes it would be less severe

SENATOR HALLIGAN said they can look at this as a temporary solution, but if they don't do anything in the next two years word temporary should be addressed, so the court will know wh that language is doing.

CHAIRMAN HARP said they are dealing with the most accurate information about reappraisal that this state has had. He sai they are looking at alternatives and now there is some predictability with the 1996 reappraisal values.

{Tape: 1; Side: A; Approx. Time Count: 7:08 a.m.; Comments: T is blank and all testimony is taken off of secretary's notes.}

Motion/Vote:

REP. HIBBARD MOVED TO ADD CONCEPTUAL LANGUAGE TO AMENDMENT #3 (EXHIBIT 2) THAT THE INTERIM COMMITTEE MUST PRESENT A MENU OF ALTERNATIVES TO THE 56TH LEGISLATURE. MOTION PASSED UNANIMOUS

Discussion of Amendment #4:

CHAIRMAN HARP discussed amendment #4 **(EXHIBIT 3).**

Motion:

REP. STORY MOVED TO ADOPT THE MILLAGE SECTION OF AMENDMENT #4

Discussion:

REP. HIBBARD discussed the Sweetgrass Co. handout **(EXHIBIT 4)**

SENATOR CRIPPEN asked if there will be any additional cost? **Gordon Morris, MT Assoc. of Counties,** said the department wil ratchet down and limit and they will give the certified value with the reduction.

SENATOR CRIPPEN asked by using the Sweet Grass Co. example wi they save more and is it worth it. **Gordon Morris** said that counties won't see an additional cost. **Alec Hansen, MT League Cities and Towns,** said with the ratcheting, tax rate, and pha in, it will eventually get to zero.

REP. HIBBARD said there will be some counties with increases th will have to reduce the mills of classes 3,4, and 10 to get to zero. But there will still be some classes with increases and decreases and isn't that going to be expensive and difficult to do. **Alec Hansen** said it is not difficult. The phase-in evaluati at Big Timber will have an increase and they could move their mills down.

SENATOR CRIPPEN asked what about taxpayers who are below averag **Alec Hansen** said they are dealing with extremes in that instanc

CHAIRMAN HARP discussed a handout by Mick Robinson **(EXHIBIT 5).** **Mary Bryson** said when the department certifies mills, those mil will be reduced as a result of cyclical reappraisal.

REP. HIBBARD said he would like to defer action on this motion until they have a better understanding.

{Tape: 1; Side: B; Approx. Time Count: 7:28 a.m.; Comments: Tape is blank and minutes are done from Secretary's notes.}

<u>Discussion of Amendment #4 option 1:</u>

CHAIRMAN HARP discussed amendment #4 option 1 from the cities ar counties **(EXHIBIT 6).**

Alec Hansen discussed a sheet on cities and towns **(EXHIBIT 7).** He said to have an increase in taxes of less than 5 percent is quite small and if they have an election with the super-majority they might not get it. It would be more effective to have this voted on by a simple majority.

SENATOR CRIPPEN asked if the town of Culbertson has a vote to increase taxes and they don't get it and the town goes bankrupt, what happens then. **Alec Hansen** said the town would have to be dis-incorporated.

SENATOR CRIPPEN asked if a $60,000 home is subject to the percentage or the entire amount of them bond. **Alec Hansen** said i would still be obligated to the bond.

SENATOR CRIPPEN said if this increase is spread out, the people with higher valued homes will get hit harder.

CHAIRMAN HARP said they are updating I-105 from 1986 to 1996. If the values drop below the 1996 values they will automatically ge that back.

SENATOR CRIPPEN said the more restraints they put on, the farthe this will move from being a temporary solution to one that is permanent. If the taxpayers are receiving a substantial benefit from this then it is worth it.

REP. STORY said if they start using the language of less than five percent and less than six years by a simple majority etc., then it can get complicated.

SENATOR HALLIGAN said they need to trust the voters. Local Government is made up of taxpayers and it is a win-win situation. He said he is not afraid of the simple majority vote and if it is a problem the interim committee can change it.

CHAIRMAN HARP said the county amendments are based on the number of voters from the last election **(EXHIBIT 6)** and the other amendment is based on the voter registration.

REP. STORY asked if the motor voter only applies to the federal and not the state. **Greg Petesch** said the active and inactive list applies to the federal. There are move registered voters than there was before, but there have been no increases at the poles.

SENATOR CRIPPEN said one way to solve this is to have a smaller percentage increase and they can vote by a simple majority.

CHAIRMAN HARP asked if under the I-105 emergency provision can a simple majority impose a tax. **REP. STORY** said that was correct.

CHAIRMAN HARP said anything they do beyond I-105 will only strengthen it.

Motion:

SENATOR HALLIGAN MOVED TO ADOPT AMENDMENT #4 OPTION 1 FROM THE CITIES AND COUNTIES. (EXHIBIT 6)

Discussion:

SENATOR HALLIGAN said he would rather have the vote be by a simple majority, but he will settle with this amendment.

Vote:

MOTION TO ADOPT AMENDMENT #4 OPTION 1 FAILED 3-3 WITH CHAIRMAN HARP, REP. HIBBARD AND REP. STORY voting no.

Set #1 w/ Revised Tom Hannah
Free Conference Com
EXHIBIT NO. 1
DATE 4-16-97 6:30 AM
BILL NO. SB 195

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), and (1)(e) of this section is taxed at 3.86% of its market value.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.022 percentage points each year until the tax rate is equal to or less than 2.78%.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ the rate provided in subsection (2)(a)(ii) of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is

determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a)(i).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of certain taxable property.** (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state~~ classes three, four, and ten. All other property must be revalued annually. The ~~department shall complete this~~ revaluation ~~program by~~ of classes three, four, and ten is complete on December 31, 1996. ~~A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued by December 31, 1996. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county.~~ The amount of the change in valuation from the 1996 base year for each property must be phased in each year at the rate of 2% of the total change in valuation.

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

~~(2)~~(3) Beginning January 1~~, 1997~~ 2001, the department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state at least every 3 years~~ classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county ~~be~~ is revalued ~~at least every~~ by January 1, 2004 and each succeeding 3 years. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county."

Section 3. Section 77-1-208, MCA, is amended to read:

"**77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111 without any adjustments as a result of phasing in values. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 2.

(2) The board shall set the fee of each initial cabin site license or lease or each current cabin site license or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined under the method provided for in subsection (1).

(3) The board shall follow the procedures set forth in 77-6-302 through 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board."

3

Amendments 11-3

Free Conference Com
EXHIBIT NO. 2
DATE 4-16-97 6:30 p.m.
BILL NO. SB 195

NEW SECTION. **Section 1. Property tax committee.** (1) There is an interim property tax committee. The committee consists of 12 members. The speaker of the house shall appoint six house members, three from each party, and the senate committee on committees shall appoint six senate members, three from each party.

(2) The committee may study all aspects of the state property tax system and shall prepare a menu of alternatives to revise, reform, or replace the property tax system. The alternatives should include methods that remove volatility from the valuation of property. The alternative methods should include options designed to supplement or replace the current valuation system in order to prevent the exclusive reliance on market value.

(3) In order to provide a wide-ranging series of options for consideration, each individual member of the committee may pursue proposals independently and receive staff assistance on the proposals. The committee may discuss and make suggestions on all proposals. A vote of one-fourth of the members may include a proposal on the menu of alternatives. The menu of alternatives must be presented to the legislature.

(4) The committee may solicit the advice of appropriate persons and entities as the committee considers necessary.

(5) The legislative branch shall provide staff support to the committee. The committee may contract for services as the committee considers necessary.

NEW SECTION. **Section 2. Appropriation.** There is appropriated from the general fund to the legislative branch $100,000 for the biennium for operating expenses and personnel services for operations of the property tax committee established in [section 9].

Free Conference Com.
EXHIBIT NO. 3
DATE 4-16-97 6:30
BILL NO. SB 195

(1)

"Section 1. Section 7-6-2514, MCA, is amended to read:

"7-6-2514. Tax limitation applicable. The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

Section 2. Section 15-10-401, MCA, is amended to read:

"15-10-401. Declaration of policy. (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~(2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 3. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to ~~1986~~ 1996 levels. ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~

~~indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 4. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1)(a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, or reclassification of property, then the taxing unit shall reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of

improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property ~~in each class~~ as a result of:

(a) a revaluation caused by~~:~~

~~(i)~~ construction, expansion, replacement, or remodeling of improvements that adds value to the property; ~~or~~

~~(ii) cyclical reappraisal;~~

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~(5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the

decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~,~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~(7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~(ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) determine the total number of electors of the taxing unit who are qualified to vote from the list of electors supplied by the county registrar for the election;

(ii) determine the total number of qualified electors who voted at the taxing unit election from the tally sheets for the election;

(iii) calculate the percentage of qualified electors voting at the election by dividing the number determined in subsection (8)(b)(i) by the number determined in subsection (8)(b)(ii); and

(iv) when the calculated percentage in subsection (8)(b)(iii) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(v) when the calculated percentage in subsection (8)(b)(iii) is more than 30% but less than 40%, the levy is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(vi) when the calculated percentage in subsection (8)(b)(iii) is 30% or less, the proposition is rejected.

~~(11)~~(9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health.

A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 5. Section 15-36-323, MCA, is amended to read:

"**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412~~(10)~~(8), for which additional mills were levied in fiscal year 1990."

NEW SECTION. **Section 6. Repealer.** Section 15-10-411, MCA, is repealed.

1

Free Conference Cm
EX NO. 4
DATE 4-16-97 6:30
BILL NO. SB 195

Sweet Grass: (City of Big Timber)

Impact of Reappraisal

Assessed Value for Tax Year 1996: *(Estimated True Value of Home on Jan 1, 1996)*		$53,763
Reappraised Value of Home: *(Estimated True Value of Home on Jan 1, 1996)*		$100,000
		$100,000
	-	53,763
Change in Value:		$46,237
Change in Value Due to Reappraisal: *(Estimated impact to residential property without new construction)*		86%

Asessed Value for Tax Year 1997 Under SB195

2% of Change in Value		$925
Add 2% of Change in Value to		925
Tax Year 1996 Assessed Value	+	53,763
for Tax Year 1997 Phased-In Value		$54,688

Estimated Comparison of Property Tax Liability

	Tax Year 1996	Tax Year 97 With SB195
Assessed Value	$53,763	$54,688
Taxable Rate	3.8600%	3.8384%
Taxable Value	$2,075	$2,099
Mills		
State 101Mills	101.00	101.00
County/City Govts	159.48	154.09
Local Schools	186.68	180.90
Total	447.16	435.99
Taxes Levied		
State 101Mills	$210	$212
County/City Govts	$331	$323
Local Schools	$387	$380
Total	$928	$915

Compiled by the office of research and information, MDOR, April 14, 1997
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Stillwater County: (City of Columbus)

Impact of Reappraisal

Assessed Value for Tax Year 1996: *(Estimated True Value of Home on Jan 1, 1996)*		$67,114
Reappraised Value of Home: *(Estimated True Value of Home on Jan 1, 1996)*		$100,000
		$100,000
	-	67,114
Change in Value:		$32,886
Change in Value Due to Reappraisal: *(Estimated impact to residential property without new construction)*		49%

Asessed Value for Tax Year 1997 Under SB195

2% of Change in Value		$658
Add 2% of Change in Value to		658
Tax Year 1996 Assessed Value	+	67,114
for Tax Year 1997 Phased-In Value		$67,772

Estimated Comparison of Property Tax Liability

	Tax Year 1996	Tax Year 97 With SB195
Assessed Value	$67,114	$67,772
Taxable Rate	3.8600%	3.8384%
Taxable Value	$2,591	$2,601
Mills		
State 101Mills	101.00	101.00
County/City Govts	152.85	146.77
Local Schools	148.06	141.01
Total	401.91	388.78
Taxes Levied		
State 101Mills	$262	$263
County/City Govts	$396	$382
Local Schools	$384	$367
Total	$1,041	$1,011

Compiled by the office of research and information, MDOR, April 14, 1997
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Mineral: (City of Superior)

Impact of Reappraisal

Assessed Value for Tax Year 1996: *(Estimated True Value of Home on Jan 1, 1996)*		$69,444
Reappraised Value of Home: *(Estimated True Value of Home on Jan 1, 1996)*		$100,000
		$100,000
	-	69,444
Change in Value:		$30,556
Change in Value Due to Reappraisal: *(Estimated impact to residential property without new construction)*		44%

Asesed Value for Tax Year 1997 Under SB195

2% of Change in Value		$611
Add 2% of Change in Value to		611
Tax Year 1996 Assessed Value	+	69,444
for Tax Year 1997 Phased-In Value		$70,056

Estimated Comparison of Property Tax Liability

	Tax Year 1996	Tax Year 97 With SB195
Assessed Value	$69,444	$70,056
Taxable Rate	3.8600%	3.8384%
Taxable Value	$2,681	$2,689
Mills		
State 101Mills	101.00	101.00
County/City Govts	162.93	158.83
Local Schools	239.97	233.51
Total	503.90	493.34
Taxes Levied		
State 101Mills	$271	$272
County/City Govts	$437	$427
Local Schools	$643	$628
Total	$1,351	$1,327

Compiled by the office of research and information, MDOR, April 14, 1997
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Blaine: (City of Chinook)

Impact of Reappraisal

Assessed Value for Tax Year 1996: *(Estimated True Value of Home on Jan 1, 1996)*		$93,458
Reappraised Value of Home: *(Estimated True Value of Home on Jan 1, 1996)*		$100,000
		$100,000
	-	93,458
Change in Value:		$6,542
Change in Value Due to Reappraisal: *(Estimated impact to residential property without new construction)*		7%

Asesssed Value for Tax Year 1997 Under SB195

2% of Change in Value		$131
Add 2% of Change in Value to		131
Tax Year 1996 Assessed Value	+	93,458
for Tax Year 1997 Phased-In Value		$93,589

Estimated Comparison of Property Tax Liability

	Tax Year 1996	Tax Year 97 With SB195
Assessed Value	$93,458	$93,589
Taxable Rate	3.8600%	3.8384%
Taxable Value	$3,607	$3,592
Mills		
State 101Mills	101.00	101.00
County/City Govts	224.22	220.97
Local Schools	164.67	162.75
Total	489.89	484.72
Taxes Levied		
State 101Mills	$364	$363
County/City Govts	$809	$794
Local Schools	$594	$585
Total	$1,767	$1,741

Compiled by the office of research and information, MDOR, April 14, 1997
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McCone: (City of Circle)

Impact of Reappraisal

Assessed Value for Tax Year 1996: *(Estimated True Value of Home on Jan 1, 1996)*		$103,093
Reappraised Value of Home: *(Estimated True Value of Home on Jan 1, 1996)*		$100,000
		$100,000
	-	103,093
Change in Value:		($3,093)
Change in Value Due to Reappraisal: *(Estimated impact to residential property without new construction)*		-3%

Asesed Value for Tax Year 1997 Under SB195

2% of Change in Value		($62)
Add 2% of Change in Value to		(62)
Tax Year 1996 Assessed Value	+	103,093
for Tax Year 1997 Phased-In Value		$103,031

Estimated Comparison of Property Tax Liability

	Tax Year 1996	Tax Year 97 With SB195
Assessed Value	$103,093	$103,031
Taxable Rate	3.8600%	3.8384%
Taxable Value	$3,979	$3,955
Mills		
State 101Mills	101.00	101.00
County/City Govts	237.44	235.66
Local Schools	160.34	159.04
Total	498.78	495.70
Taxes Levied		
State 101Mills	$402	$399
County/City Govts	$945	$932
Local Schools	$638	$629
Total	$1,985	$1,960

Compiled by the office of research and information, MDOR, April 14, 1997
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Fnce. Conference Com.
EXHIBIT NO. 5
DATE 4-16-97 6:30 P.M.
BILL NO. SB 195

SB 195 PROPOSAL
Presented by Mick Robinson
April 11, 1997

1. Temporary solution - sunset in two years - study group presents proposals for permanent solution to 1999 legislature.

2. Maintain market value - SB 392.

3. Reduce the phase-in of value from 50 years to 20 years (effective increase in value would increase from .8% to 2% per year).

4. If necessary, reduce the statewide mills to allow for tax neutrality at the state level.

5. Trust that local government elected officials and school officials will properly address this 2% average increase in value.

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Comparison of Tax Year 1996 Property Tax Liability With:

1) Estimated Property Tax Liability for 1997 with Reappraisal
(Current Law)

2) Estimated Property Tax Liability Under

----- HB590 -----

Reduce the Tax Rate for Class 3 from 3.86% to 3.645%
Reduce the Tax Rate for Class 4 from 3.86% to 2.78%
Reduce the Tax Rate for Class 10 from 0.79% to 0.35%

-) Distribution of Change in Property Taxes Paid by Residential Property for Each County

-) Impact to Property Taxes Paid by Class Within Each County

Res	Residential Class 4 Property
Com	Commercial Class 4 Property
Cl 3	Class 3 Ag Land
Cl 8	Class 8 Business Equipment
Cl 9	Class 9 Utility Property
Oth	All Other Remaining Property
Total	Total Property

This analysis assumes that local government budgets are held constant at tax year 1996 (fiscal year 1997) levels.

Compiled by the Office of Research and Information, Montana Department of Revenue
March 1997

Statewide

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	3,845	1.3%	3,845	1.3%
-30% to -40%	9,102	3.2%	12,947	4.5%
-20% to -30%	18,193	6.3%	31,140	10.9%
-10% to -20%	38,180	13.3%	69,320	24.2%
0% to -10%	64,458	22.5%	133,778	46.7%
0% to 10%	66,665	23.3%	200,443	70.0%
10% to 20%	41,377	14.4%	241,820	84.4%
20% to 30%	21,122	7.4%	262,942	91.8%
30% to 40%	10,863	3.8%	273,805	95.6%
40% to 50%	6,292	2.2%	280,097	97.8%
50% to 60%	3,560	1.2%	283,657	99.0%
60% to 70%	1,928	0.7%	285,585	99.7%
70% to 80%	796	0.3%	286,381	99.9%
80% to 90%	139	0.0%	286,520	100.0%
90% to 100%	5	0.0%	286,525	100.0%
100% to 110%	0	0.0%	286,525	100.0%
110% to 120%	0	0.0%	286,525	100.0%
120% to 130%	0	0.0%	286,525	100.0%
130% to 140%	0	0.0%	286,525	100.0%
140% to 150%	0	0.0%	286,525	100.0%

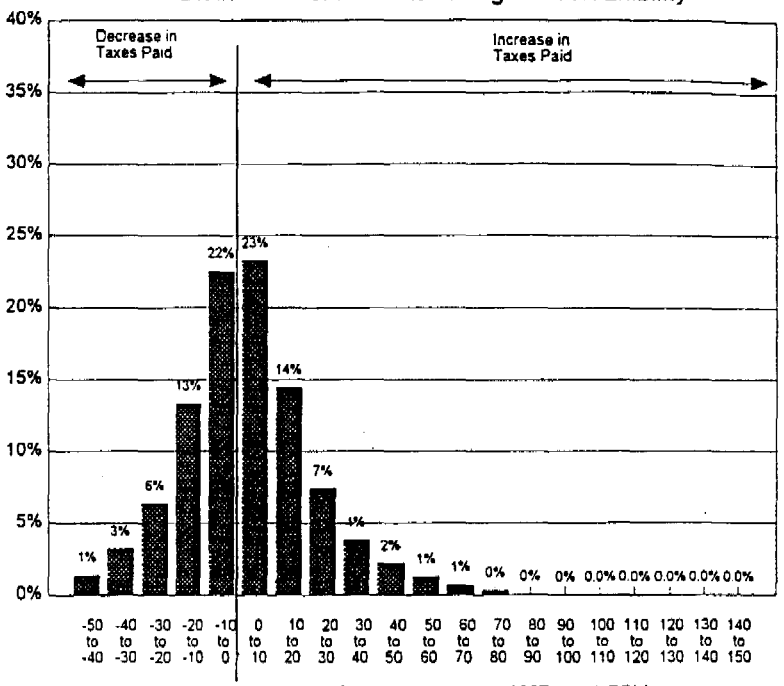
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Beaverhead County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	113	3.3%	113	3.3%
-30% to -40%	294	8.5%	407	11.7%
-20% to -30%	275	7.9%	682	19.6%
-10% to -20%	416	12.0%	1,098	31.6%
0% to -10%	686	19.8%	1,784	51.4%
0% to 10%	685	19.7%	2,469	71.1%
10% to 20%	480	13.8%	2,949	84.9%
20% to 30%	256	7.4%	3,205	92.3%
30% to 40%	137	3.9%	3,342	96.3%
40% to 50%	61	1.8%	3,403	98.0%
50% to 60%	35	1.0%	3,438	99.0%
60% to 70%	29	0.8%	3,467	99.9%
70% to 80%	5	0.1%	3,472	100.0%
80% to 90%	0	0.0%	3,472	100.0%
90% to 100%	0	0.0%	3,472	100.0%
100% to 110%	0	0.0%	3,472	100.0%
110% to 120%	0	0.0%	3,472	100.0%
120% to 130%	0	0.0%	3,472	100.0%
130% to 140%	0	0.0%	3,472	100.0%
140% to 150%	0	0.0%	3,472	100.0%

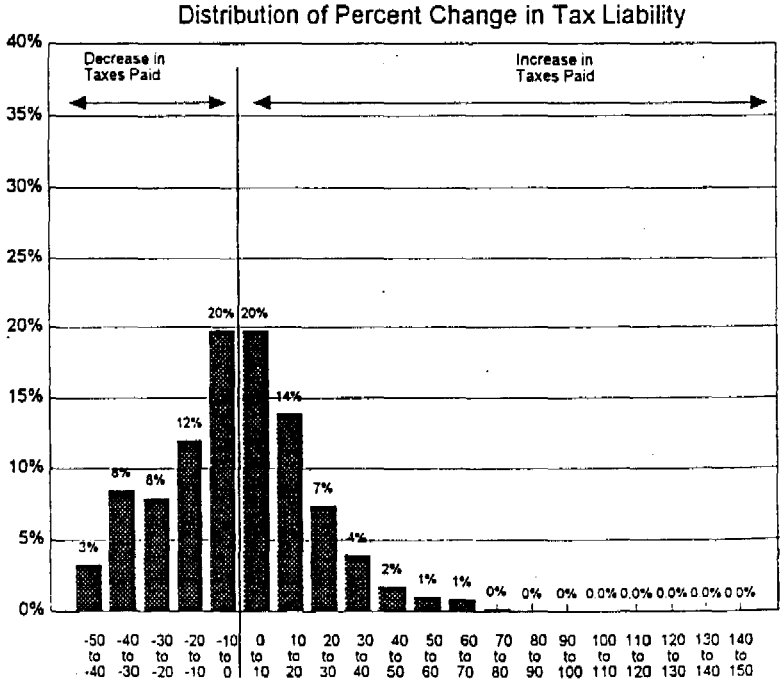
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 20% of the residential properties increased in taxes paid between 0 and 10 percent.

Big Horn County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	22	0.9%	22	0.9%
-30% to -40%	54	2.1%	76	3.0%
-20% to -30%	98	3.9%	174	6.9%
-10% to -20%	319	12.6%	493	19.4%
0% to -10%	684	27.0%	1,177	46.4%
0% to 10%	696	27.4%	1,873	73.8%
10% to 20%	335	13.2%	2,208	87.0%
20% to 30%	173	6.8%	2,381	93.8%
30% to 40%	74	2.9%	2,455	96.7%
40% to 50%	38	1.5%	2,493	98.2%
50% to 60%	22	0.9%	2,515	99.1%
60% to 70%	12	0.5%	2,527	99.6%
70% to 80%	8	0.3%	2,535	99.9%
80% to 90%	3	0.1%	2,538	100.0%
90% to 100%	0	0.0%	2,538	100.0%
100% to 110%	0	0.0%	2,538	100.0%
110% to 120%	0	0.0%	2,538	100.0%
120% to 130%	0	0.0%	2,538	100.0%
130% to 140%	0	0.0%	2,538	100.0%
140% to 150%	0	0.0%	2,538	100.0%

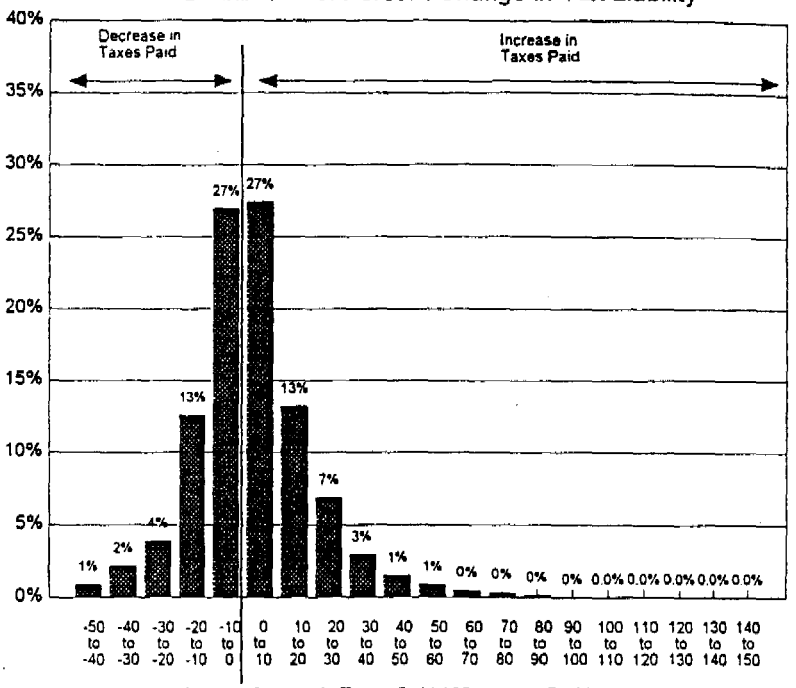
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 27% of the residential properties increased in taxes paid between 0 and 10 percent.

Blaine County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	107	6.4%	107	6.4%
-30% to -40%	236	14.2%	343	20.7%
-20% to -30%	489	29.5%	832	50.2%
-10% to -20%	500	30.1%	1,332	80.3%
0% to -10%	210	12.7%	1,542	92.9%
0% to 10%	65	3.9%	1,607	96.9%
10% to 20%	31	1.9%	1,638	98.7%
20% to 30%	8	0.5%	1,646	99.2%
30% to 40%	7	0.4%	1,653	99.6%
40% to 50%	1	0.1%	1,654	99.7%
50% to 60%	1	0.1%	1,655	99.8%
60% to 70%	2	0.1%	1,657	99.9%
70% to 80%	0	0.0%	1,657	99.9%
80% to 90%	2	0.1%	1,659	100.0%
90% to 100%	0	0.0%	1,659	100.0%
100% to 110%	0	0.0%	1,659	100.0%
110% to 120%	0	0.0%	1,659	100.0%
120% to 130%	0	0.0%	1,659	100.0%
130% to 140%	0	0.0%	1,659	100.0%
140% to 150%	0	0.0%	1,659	100.0%

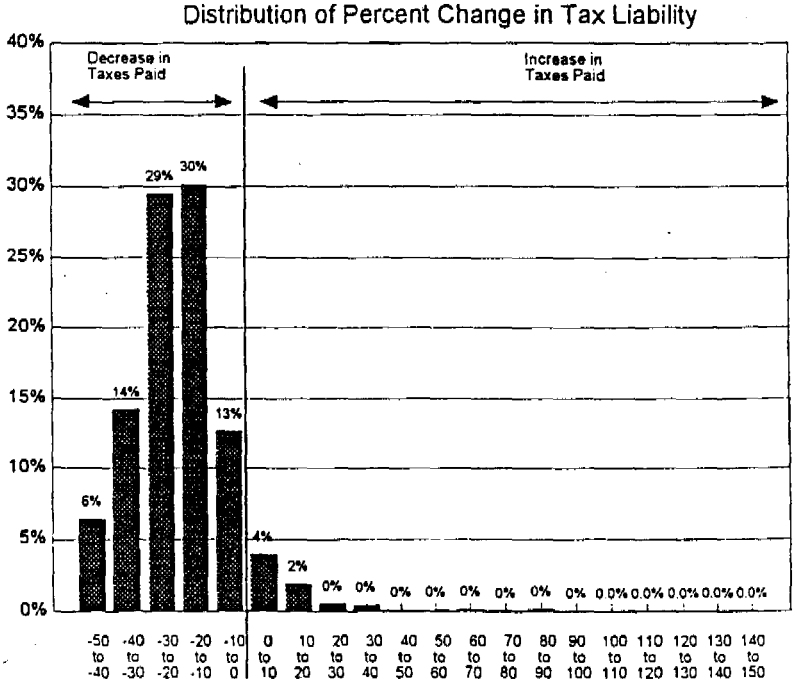
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 4% of the residential properties increased in taxes paid between 0 and 10 percent.

Broadwater County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	15	1.0%	15	1.0%
-30% to -40%	14	0.9%	29	1.9%
-20% to -30%	21	1.4%	50	3.2%
-10% to -20%	43	2.8%	93	6.0%
0% to -10%	173	11.2%	266	17.2%
0% to 10%	392	25.3%	658	42.4%
10% to 20%	384	24.8%	1,042	67.2%
20% to 30%	271	17.5%	1,313	84.7%
30% to 40%	138	8.9%	1,451	93.6%
40% to 50%	51	3.3%	1,502	96.8%
50% to 60%	28	1.8%	1,530	98.6%
60% to 70%	13	0.8%	1,543	99.5%
70% to 80%	6	0.4%	1,549	99.9%
80% to 90%	2	0.1%	1,551	100.0%
90% to 100%	0	0.0%	1,551	100.0%
100% to 110%	0	0.0%	1,551	100.0%
110% to 120%	0	0.0%	1,551	100.0%
120% to 130%	0	0.0%	1,551	100.0%
130% to 140%	0	0.0%	1,551	100.0%
140% to 150%	0	0.0%	1,551	100.0%

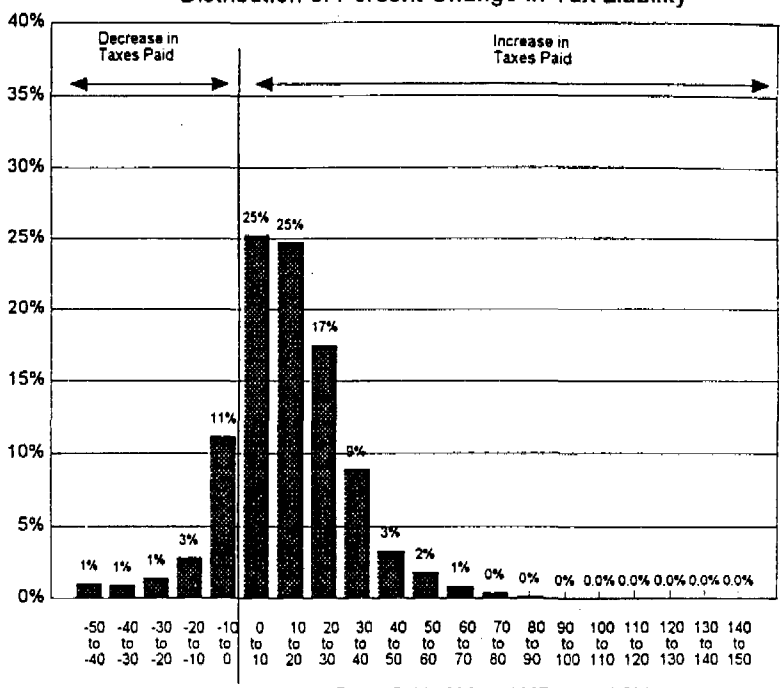
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 25% of the residential properties increased in taxes paid between 0 and 10 percent.

Carbon County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	13	0.3%	13	0.3%
-30% to -40%	36	0.9%	49	1.2%
-20% to -30%	79	1.9%	128	3.1%
-10% to -20%	268	6.5%	396	9.6%
0% to -10%	657	15.9%	1,053	25.5%
0% to 10%	986	23.8%	2,039	49.3%
10% to 20%	823	19.9%	2,862	69.2%
20% to 30%	577	13.9%	3,439	83.1%
30% to 40%	320	7.7%	3,759	90.9%
40% to 50%	197	4.8%	3,956	95.6%
50% to 60%	115	2.8%	4,071	98.4%
60% to 70%	52	1.3%	4,123	99.7%
70% to 80%	14	0.3%	4,137	100.0%
80% to 90%	0	0.0%	4,137	100.0%
90% to 100%	0	0.0%	4,137	100.0%
100% to 110%	0	0.0%	4,137	100.0%
110% to 120%	0	0.0%	4,137	100.0%
120% to 130%	0	0.0%	4,137	100.0%
130% to 140%	0	0.0%	4,137	100.0%
140% to 150%	0	0.0%	4,137	100.0%

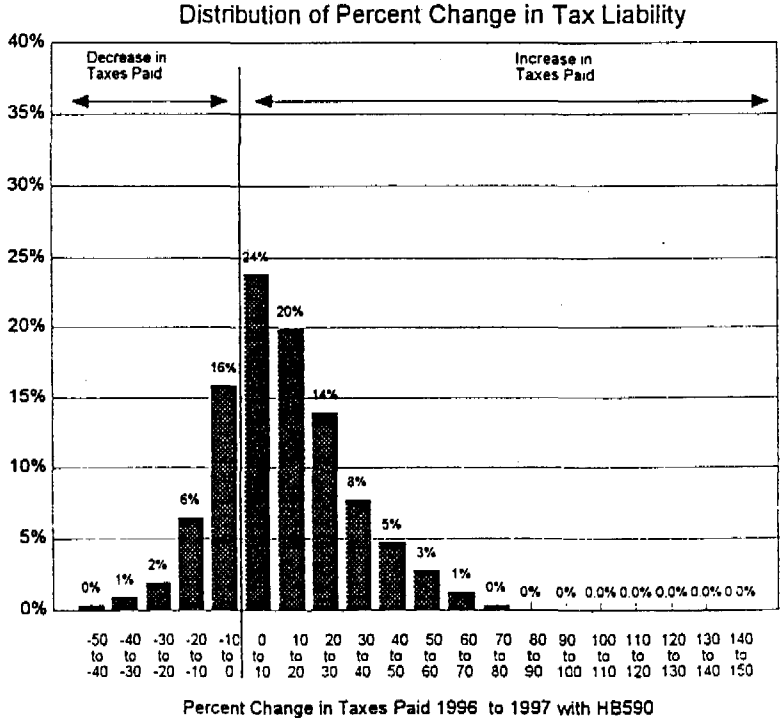
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 24% of the residential properties increased in taxes paid between 0 and 10 percent.

Carter County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	84	14.0%	84	14.0%
-30% to -40%	153	25.5%	237	39.4%
-20% to -30%	134	22.3%	371	61.7%
-10% to -20%	77	12.8%	448	74.5%
0% to -10%	60	10.0%	508	84.5%
0% to 10%	47	7.8%	555	92.3%
10% to 20%	23	3.8%	578	96.2%
20% to 30%	6	1.0%	584	97.2%
30% to 40%	8	1.3%	592	98.5%
40% to 50%	6	1.0%	598	99.5%
50% to 60%	1	0.2%	599	99.7%
60% to 70%	0	0.0%	599	99.7%
70% to 80%	2	0.3%	601	100.0%
80% to 90%	0	0.0%	601	100.0%
90% to 100%	0	0.0%	601	100.0%
100% to 110%	0	0.0%	601	100.0%
110% to 120%	0	0.0%	601	100.0%
120% to 130%	0	0.0%	601	100.0%
130% to 140%	0	0.0%	601	100.0%
140% to 150%	0	0.0%	601	100.0%

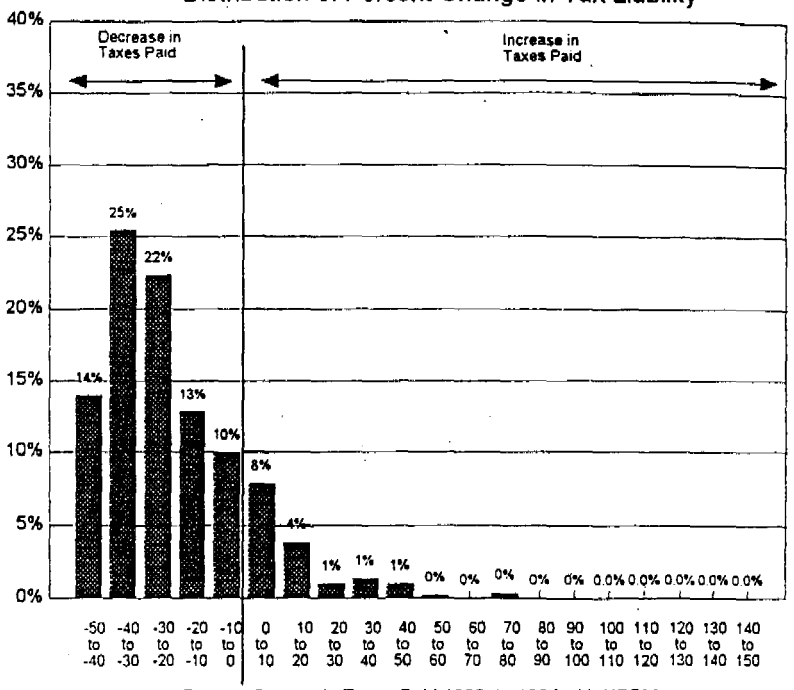
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 8% of the residential properties increased in taxes paid between 0 and 10 percent.

Cascade County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	128	0.5%	128	0.5%
-30% to -40%	355	1.5%	483	2.1%
-20% to -30%	1,209	5.2%	1,692	7.2%
-10% to -20%	5,711	24.4%	7,403	31.6%
0% to -10%	8,513	36.3%	15,916	67.9%
0% to 10%	3,705	15.8%	19,621	83.7%
10% to 20%	1,698	7.2%	21,319	91.0%
20% to 30%	879	3.8%	22,198	94.7%
30% to 40%	526	2.2%	22,724	97.0%
40% to 50%	281	1.2%	23,005	98.2%
50% to 60%	183	0.8%	23,188	99.0%
60% to 70%	137	0.6%	23,325	99.5%
70% to 80%	79	0.3%	23,404	99.9%
80% to 90%	30	0.1%	23,434	100.0%
90% to 100%	0	0.0%	23,434	100.0%
100% to 110%	0	0.0%	23,434	100.0%
110% to 120%	0	0.0%	23,434	100.0%
120% to 130%	0	0.0%	23,434	100.0%
130% to 140%	0	0.0%	23,434	100.0%
140% to 150%	0	0.0%	23,434	100.0%

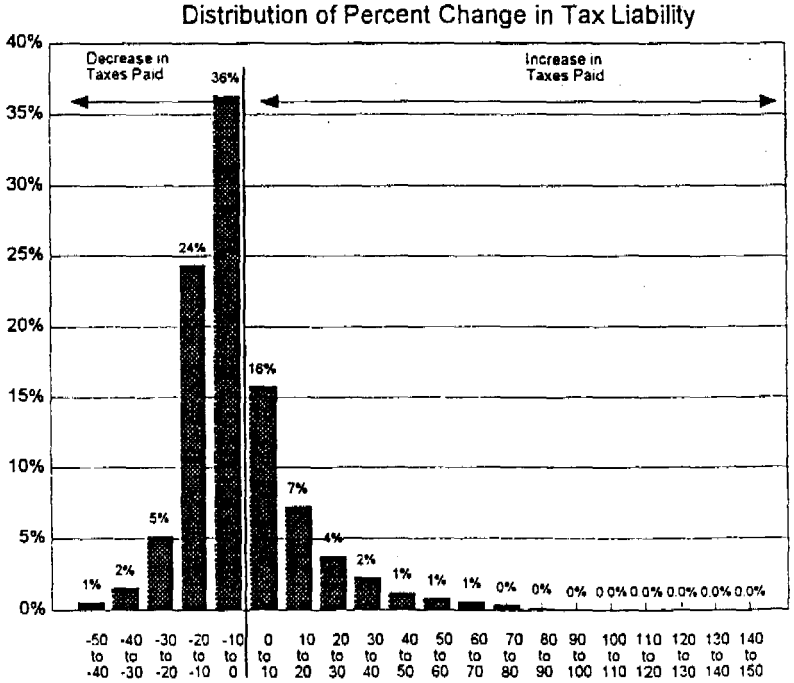
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 16% of the residential properties increased in taxes paid between 0 and 10 percent.

Chouteau County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	90	3.7%	90	3.7%
-30% to -40%	65	2.7%	155	6.3%
-20% to -30%	103	4.2%	258	10.6%
-10% to -20%	325	13.3%	583	23.9%
0% to -10%	587	24.0%	1,170	47.9%
0% to 10%	558	22.8%	1,728	70.7%
10% to 20%	363	14.9%	2,091	85.6%
20% to 30%	213	8.7%	2,304	94.3%
30% to 40%	72	2.9%	2,376	97.2%
40% to 50%	41	1.7%	2,417	98.9%
50% to 60%	15	0.6%	2,432	99.5%
60% to 70%	6	0.2%	2,438	99.8%
70% to 80%	5	0.2%	2,443	100.0%
80% to 90%	1	0.0%	2,444	100.0%
90% to 100%	0	0.0%	2,444	100.0%
100% to 110%	0	0.0%	2,444	100.0%
110% to 120%	0	0.0%	2,444	100.0%
120% to 130%	0	0.0%	2,444	100.0%
130% to 140%	0	0.0%	2,444	100.0%
140% to 150%	0	0.0%	2,444	100.0%

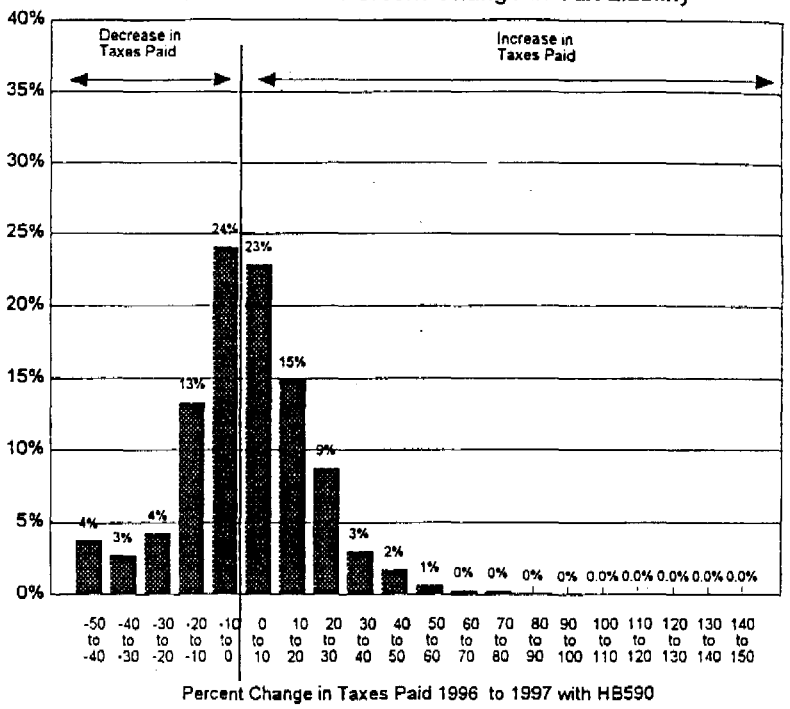
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Custer County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	22	0.5%	22	0.5%
-30% to -40%	23	0.6%	45	1.1%
-20% to -30%	131	3.2%	176	4.3%
-10% to -20%	507	12.5%	683	16.9%
0% to -10%	1,185	29.2%	1,868	46.1%
0% to 10%	1,093	27.0%	2,961	73.1%
10% to 20%	519	12.8%	3,480	85.9%
20% to 30%	296	7.3%	3,776	93.2%
30% to 40%	112	2.8%	3,888	95.9%
40% to 50%	67	1.7%	3,955	97.6%
50% to 60%	51	1.3%	4,006	98.8%
60% to 70%	19	0.5%	4,025	99.3%
70% to 80%	21	0.5%	4,046	99.8%
80% to 90%	7	0.2%	4,053	100.0%
90% to 100%	0	0.0%	4,053	100.0%
100% to 110%	0	0.0%	4,053	100.0%
110% to 120%	0	0.0%	4,053	100.0%
120% to 130%	0	0.0%	4,053	100.0%
130% to 140%	0	0.0%	4,053	100.0%
140% to 150%	0	0.0%	4,053	100.0%

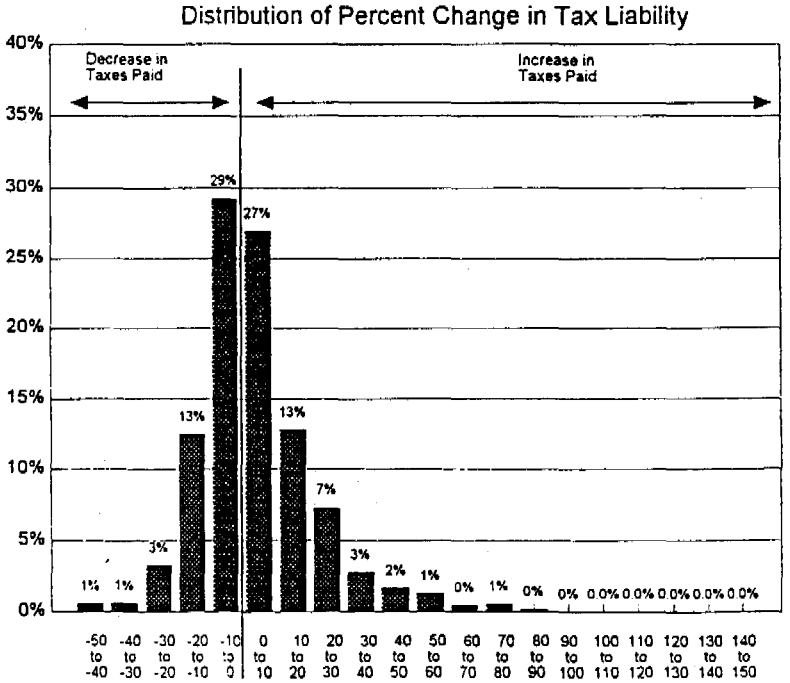
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 27% of the residential properties increased in taxes paid between 0 and 10 percent.

Daniels County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	74	7.9%	74	7.9%
-30% to -40%	203	21.6%	277	29.4%
-20% to -30%	173	18.4%	450	47.8%
-10% to -20%	106	11.3%	556	59.1%
0% to -10%	100	10.6%	656	69.7%
0% to 10%	88	9.4%	744	79.1%
10% to 20%	68	7.2%	812	86.3%
20% to 30%	42	4.5%	854	90.8%
30% to 40%	29	3.1%	883	93.8%
40% to 50%	20	2.1%	903	96.0%
50% to 60%	14	1.5%	917	97.4%
60% to 70%	10	1.1%	927	98.5%
70% to 80%	8	0.9%	935	99.4%
80% to 90%	6	0.6%	941	100.0%
90% to 100%	0	0.0%	941	100.0%
100% to 110%	0	0.0%	941	100.0%
110% to 120%	0	0.0%	941	100.0%
120% to 130%	0	0.0%	941	100.0%
130% to 140%	0	0.0%	941	100.0%
140% to 150%	0	0.0%	941	100.0%

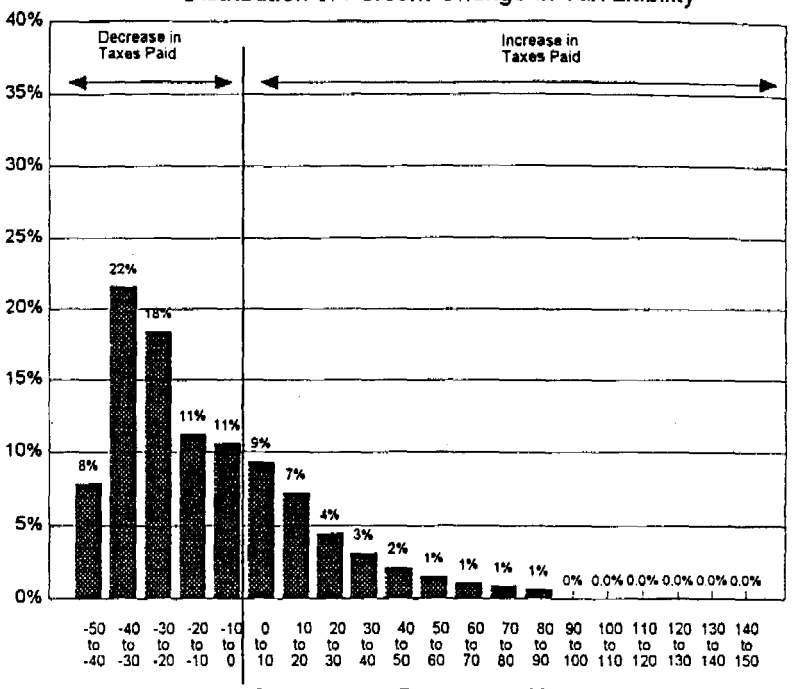
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 9% of the residential properties increased in taxes paid between 0 and 10 percent.

Dawson County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	74	2.2%	74	2.2%
-30% to -40%	164	4.9%	238	7.1%
-20% to -30%	380	11.4%	618	18.5%
-10% to -20%	419	12.5%	1,037	31.0%
0% to -10%	653	19.5%	1,690	50.5%
0% to 10%	749	22.4%	2,439	72.9%
10% to 20%	425	12.7%	2,864	85.6%
20% to 30%	227	6.8%	3,091	92.4%
30% to 40%	108	3.2%	3,199	95.6%
40% to 50%	65	1.9%	3,264	97.5%
50% to 60%	36	1.1%	3,300	98.6%
60% to 70%	26	0.8%	3,326	99.4%
70% to 80%	19	0.6%	3,345	99.9%
80% to 90%	2	0.1%	3,347	100.0%
90% to 100%	0	0.0%	3,347	100.0%
100% to 110%	0	0.0%	3,347	100.0%
110% to 120%	0	0.0%	3,347	100.0%
120% to 130%	0	0.0%	3,347	100.0%
130% to 140%	0	0.0%	3,347	100.0%
140% to 150%	0	0.0%	3,347	100.0%

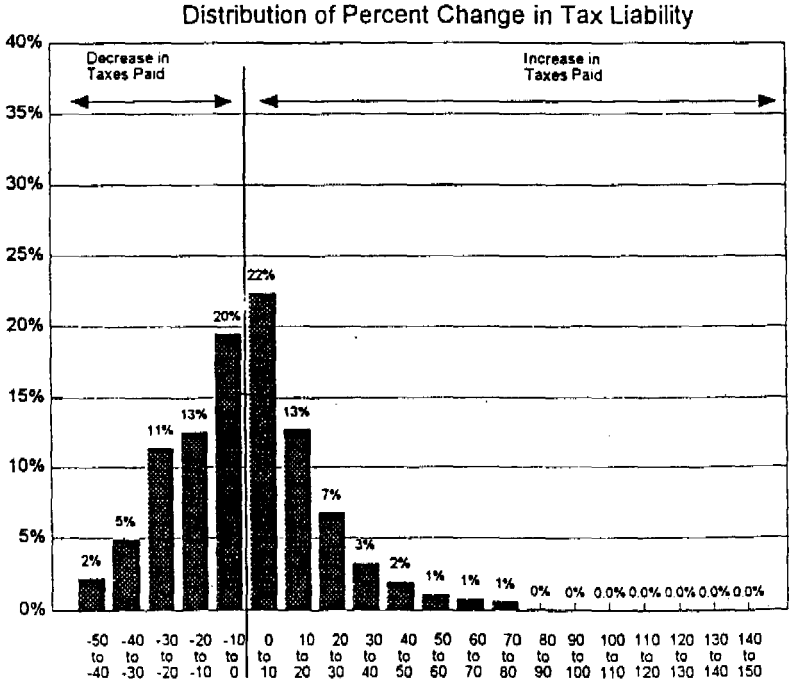
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 22% of the residential properties increased in taxes paid between 0 and 10 percent.

Deer Lodge County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	11	0.3%	11	0.3%
-30° to -40%	81	2.2%	92	2.5%
-20% to -30%	134	3.7%	226	6.2%
-10% to -20%	181	5.0%	407	11.1%
0% to -10%	375	10.3%	782	21.4%
0% to 10%	677	18.5%	1,459	39.9%
10% to 20%	812	22.2%	2,271	62.2%
20% to 30%	578	15.8%	2,849	78.0%
30% to 40%	356	9.7%	3,205	87.7%
40% to 50%	217	5.9%	3,422	93.7%
50% to 60%	149	4.1%	3,571	97.8%
60% to 70%	70	1.9%	3,641	99.7%
70% to 80%	12	0.3%	3,653	100.0%
80% to 90%	0	0.0%	3,653	100.0%
90% to 100%	0	0.0%	3,653	100.0%
100% to 110%	0	0.0%	3,653	100.0%
110% to 120%	0	0.0%	3,653	100.0%
120% to 130%	0	0.0%	3,653	100.0%
130% to 140%	0	0.0%	3,653	100.0%
140% to 150%	0	0.0%	3,653	100.0%

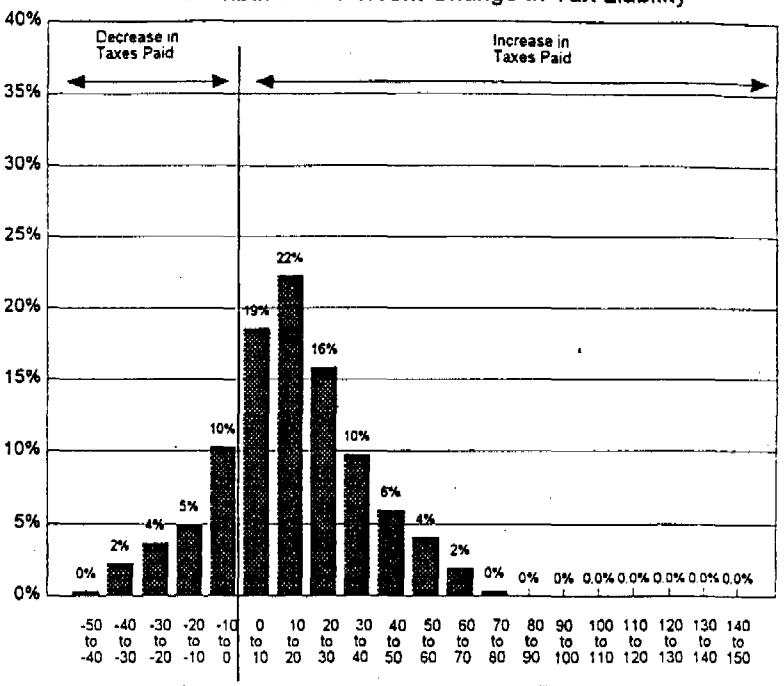
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 19% of the residential properties increased in taxes paid between 0 and 10 percent.

Fallon County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	80	7.0%	80	7.0%
-30% to -40%	183	16.0%	263	23.0%
-20% to -30%	299	26.1%	562	49.1%
-10% to -20%	243	21.2%	805	70.4%
0% to -10%	148	12.9%	953	83.3%
0% to 10%	84	7.3%	1,037	90.6%
10% to 20%	60	5.2%	1,097	95.9%
20% to 30%	20	1.7%	1,117	97.6%
30% to 40%	18	1.6%	1,135	99.2%
40% to 50%	7	0.6%	1,142	99.8%
50% to 60%	1	0.1%	1,143	99.9%
60% to 70%	0	0.0%	1,143	99.9%
70% to 80%	1	0.1%	1,144	100.0%
80% to 90%	0	0.0%	1,144	100.0%
90% to 100%	0	0.0%	1,144	100.0%
100% to 110%	0	0.0%	1,144	100.0%
110% to 120%	0	0.0%	1,144	100.0%
120% to 130%	0	0.0%	1,144	100.0%
130% to 140%	0	0.0%	1,144	100.0%
140% to 150%	0	0.0%	1,144	100.0%

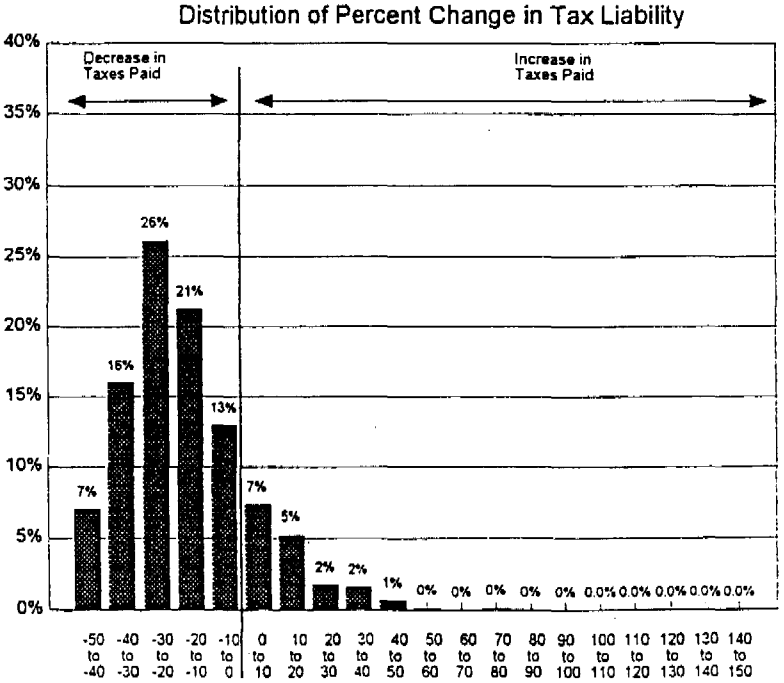
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 7% of the residential properties increased in taxes paid between 0 and 10 percent.

Fergus County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	96	2.2%	96	2.2%
-30% to -40%	193	4.3%	289	6.5%
-20% to -30%	324	7.3%	613	13.8%
-10% to -20%	555	12.5%	1,168	26.3%
0% to -10%	661	14.9%	1,829	41.1%
0% to 10%	652	14.7%	2,481	55.8%
10% to 20%	574	12.9%	3,055	68.7%
20% to 30%	512	11.5%	3,567	80.2%
30% to 40%	350	7.9%	3,917	88.1%
40% to 50%	253	5.7%	4,170	93.8%
50% to 60%	123	2.8%	4,293	96.6%
60% to 70%	104	2.3%	4,397	98.9%
70% to 80%	47	1.1%	4,444	100.0%
80% to 90%	1	0.0%	4,445	100.0%
90% to 100%	0	0.0%	4,445	100.0%
100% to 110%	0	0.0%	4,445	100.0%
110% to 120%	0	0.0%	4,445	100.0%
120% to 130%	0	0.0%	4,445	100.0%
130% to 140%	0	0.0%	4,445	100.0%
140% to 150%	0	0.0%	4,445	100.0%

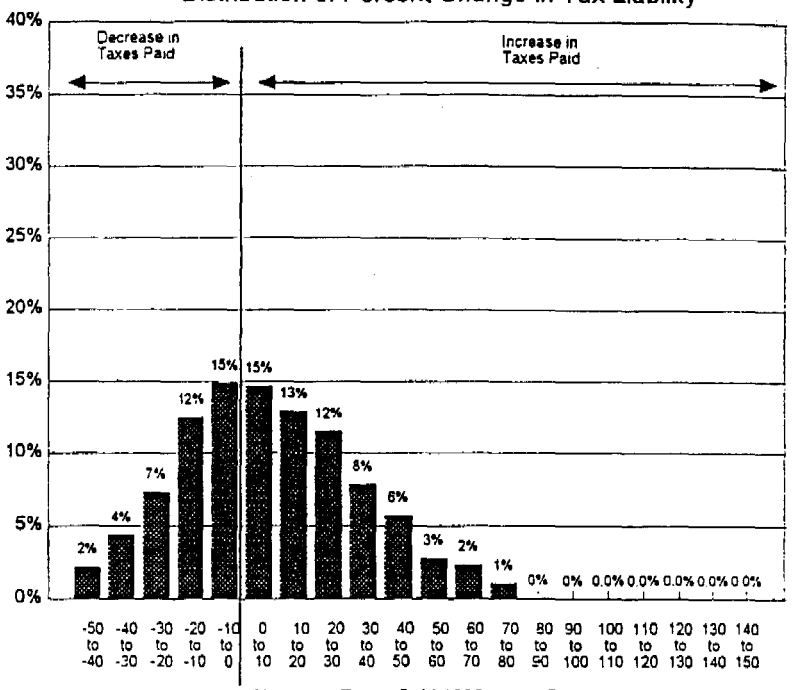
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 15% of the residential properties increased in taxes paid between 0 and 10 percent.

Flathead County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	289	1.1%	289	1.1%
-30% to -40%	1,015	3.9%	1,304	5.0%
-20% to -30%	2,108	8.1%	3,412	13.1%
-10% to -20%	3,413	13.1%	6,825	26.3%
0% to -10%	5,522	21.3%	12,347	47.6%
0% to 10%	6,718	25.9%	19,065	73.4%
10% to 20%	3,752	14.5%	22,817	87.9%
20% to 30%	1,618	6.2%	24,435	94.1%
30% to 40%	733	2.8%	25,168	96.9%
40% to 50%	374	1.4%	25,542	98.4%
50% to 60%	221	0.9%	25,763	99.2%
60% to 70%	132	0.5%	25,895	99.7%
70% to 80%	65	0.3%	25,960	100.0%
80% to 90%	0	0.0%	25,960	100.0%
90% to 100%	0	0.0%	25,960	100.0%
100% to 110%	0	0.0%	25,960	100.0%
110% to 120%	0	0.0%	25,960	100.0%
120% to 130%	0	0.0%	25,960	100.0%
130% to 140%	0	0.0%	25,960	100.0%
140% to 150%	0	0.0%	25,960	100.0%

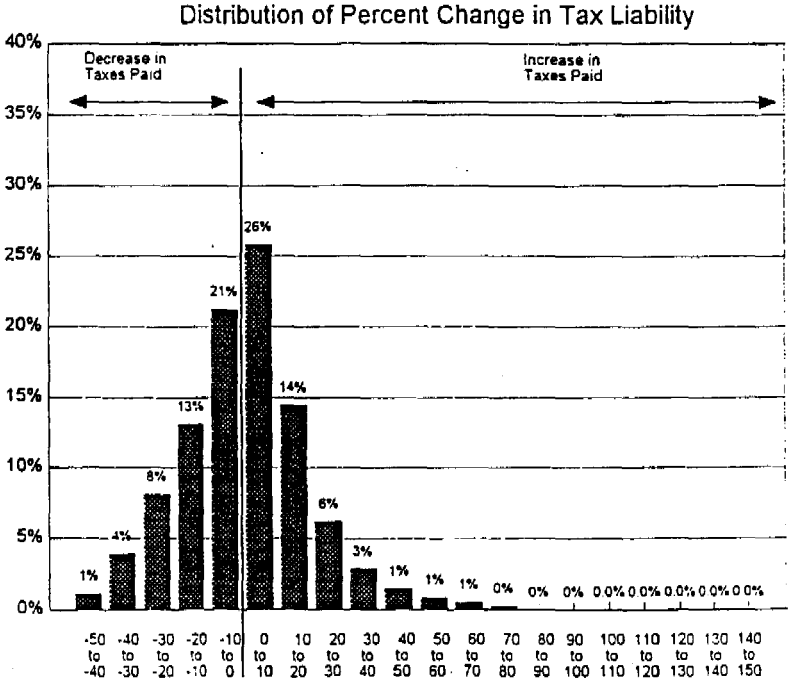
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 26% of the residential properties increased in taxes paid between 0 and 10 percent.

Gallatin County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	776	4.2%	776	4.2%
-30% to -40%	1,173	6.3%	1,949	10.4%
-20% to -30%	1,025	5.5%	2,974	15.9%
-10% to -20%	1,780	9.5%	4,754	25.5%
0% to -10%	3,358	18.0%	8,112	43.5%
0% to 10%	4,349	23.3%	12,461	66.8%
10% to 20%	3,070	16.5%	15,531	83.2%
20% to 30%	1,544	8.3%	17,075	91.5%
30% to 40%	696	3.7%	17,771	95.3%
40% to 50%	440	2.4%	18,211	97.6%
50% to 60%	331	1.8%	18,542	99.4%
60% to 70%	110	0.6%	18,652	100.0%
70% to 80%	5	0.0%	18,657	100.0%
80% to 90%	0	0.0%	18,657	100.0%
90% to 100%	0	0.0%	18,657	100.0%
100% to 110%	0	0.0%	18,657	100.0%
110% to 120%	0	0.0%	18,657	100.0%
120% to 130%	0	0.0%	18,657	100.0%
130% to 140%	0	0.0%	18,657	100.0%
140% to 150%	0	0.0%	18,657	100.0%

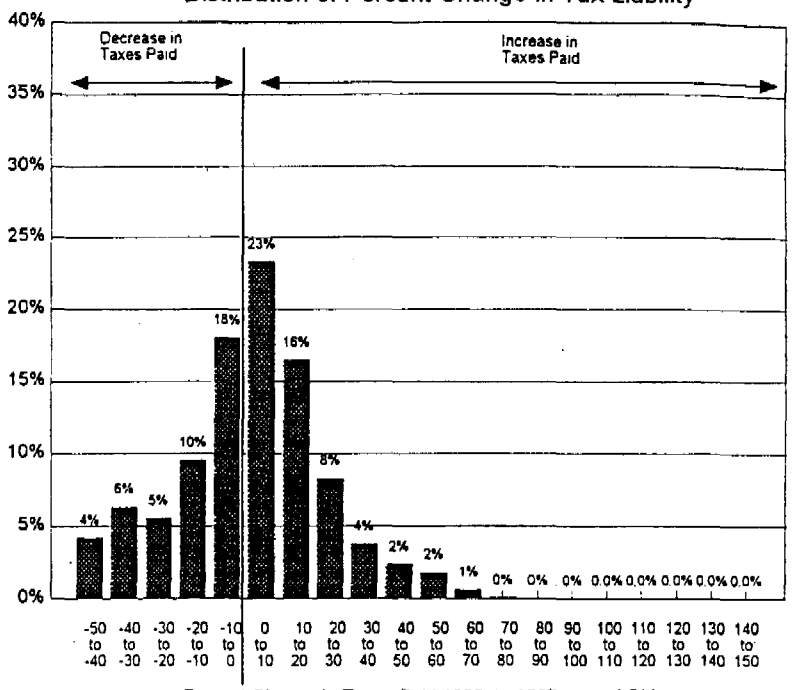
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Garfield County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	72	9.6%	72	9.6%
-30% to -40%	185	24.6%	257	34.2%
-20% to -30%	253	33.7%	510	67.9%
-10% to -20%	92	12.3%	602	80.2%
0% to -10%	74	9.9%	676	90.0%
0% to 10%	29	3.9%	705	93.9%
10% to 20%	26	3.5%	731	97.3%
20% to 30%	5	0.7%	736	98.0%
30% to 40%	6	0.8%	742	98.8%
40% to 50%	2	0.3%	744	99.1%
50% to 60%	2	0.3%	746	99.3%
60% to 70%	2	0.3%	748	99.6%
70% to 80%	3	0.4%	751	100.0%
80% to 90%	0	0.0%	751	100.0%
90% to 100%	0	0.0%	751	100.0%
100% to 110%	0	0.0%	751	100.0%
110% to 120%	0	0.0%	751	100.0%
120% to 130%	0	0.0%	751	100.0%
130% to 140%	0	0.0%	751	100.0%
140% to 150%	0	0.0%	751	100.0%

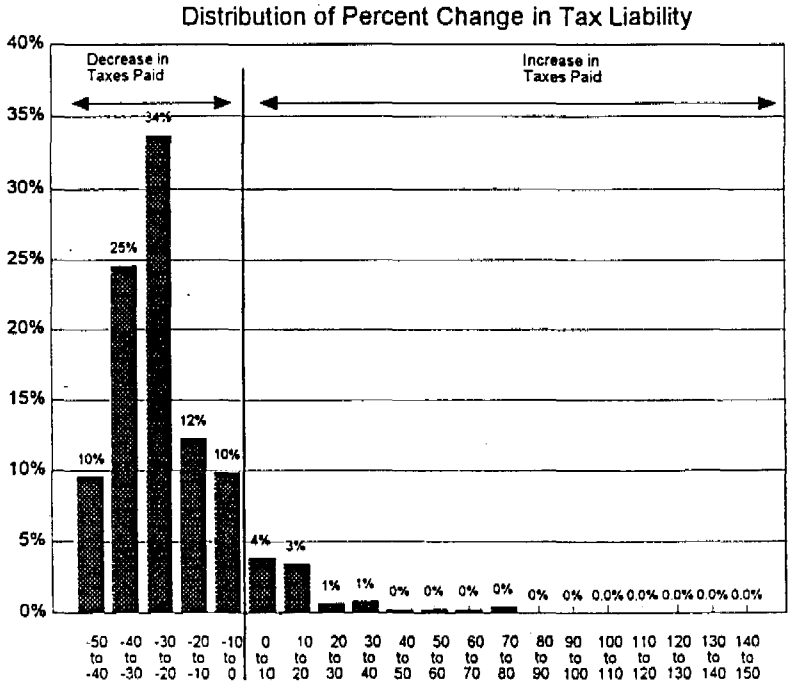
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 4% of the residential properties increased in taxes paid between 0 and 10 percent.

Glacier County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	66	3.3%	66	3.3%
-30% to -40%	95	4.8%	161	8.1%
-20% to -30%	217	10.9%	378	19.0%
-10% to -20%	388	19.5%	766	38.6%
0% to -10%	466	23.5%	1,232	62.0%
0% to 10%	277	13.9%	1,509	76.0%
10% to 20%	173	8.7%	1,682	84.7%
20% to 30%	112	5.6%	1,794	90.3%
30% to 40%	73	3.7%	1,867	94.0%
40% to 50%	52	2.6%	1,919	96.6%
50% to 60%	34	1.7%	1,953	98.3%
60% to 70%	23	1.2%	1,976	99.5%
70% to 80%	10	0.5%	1,986	100.0%
80% to 90%	0	0.0%	1,986	100.0%
90% to 100%	0	0.0%	1,986	100.0%
100% to 110%	0	0.0%	1,986	100.0%
110% to 120%	0	0.0%	1,986	100.0%
120% to 130%	0	0.0%	1,986	100.0%
130% to 140%	0	0.0%	1,986	100.0%
140% to 150%	0	0.0%	1,986	100.0%

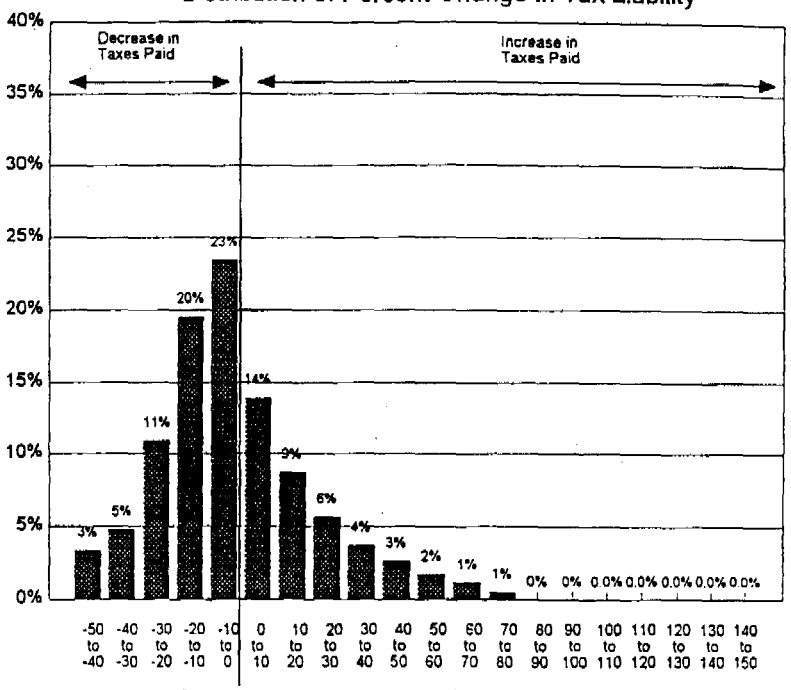
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 14% of the residential properties increased in taxes paid between 0 and 10 percent.

Golden Valley County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	10	2.5%	10	2.5%
-30% to -40%	10	2.5%	20	5.0%
-20% to -30%	33	8.2%	53	13.2%
-10% to -20%	43	10.7%	96	23.9%
0% to -10%	77	19.2%	173	43.0%
0% to 10%	83	20.6%	256	63.7%
10% to 20%	71	17.7%	327	81.3%
20% to 30%	34	8.5%	361	89.8%
30% to 40%	21	5.2%	382	95.0%
40% to 50%	8	2.0%	390	97.0%
50% to 60%	5	1.2%	395	98.3%
60% to 70%	2	0.5%	397	98.8%
70% to 80%	5	1.2%	402	100.0%
80% to 90%	0	0.0%	402	100.0%
90% to 100%	0	0.0%	402	100.0%
100% to 110%	0	0.0%	402	100.0%
110% to 120%	0	0.0%	402	100.0%
120% to 130%	0	0.0%	402	100.0%
130% to 140%	0	0.0%	402	100.0%
140% to 150%	0	0.0%	402	100.0%

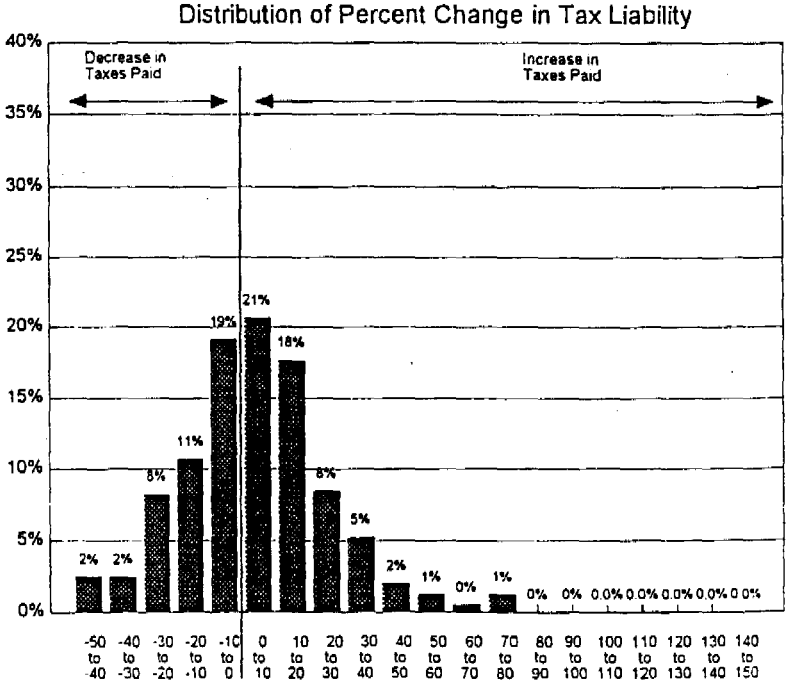
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 21% of the residential properties increased in taxes paid between 0 and 10 percent.

Granite County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	73	4.6%	73	4.6%
-30% to -40%	119	7.5%	192	12.1%
-20% to -30%	111	7.0%	303	19.1%
-10% to -20%	129	8.1%	432	27.3%
0% to -10%	242	15.3%	674	42.6%
0% to 10%	241	15.2%	915	57.8%
10% to 20%	207	13.1%	1,122	70.9%
20% to 30%	160	10.1%	1,282	81.0%
30% to 40%	123	7.8%	1,405	88.8%
40% to 50%	73	4.6%	1,478	93.4%
50% to 60%	63	4.0%	1,541	97.3%
60% to 70%	36	2.3%	1,577	99.6%
70% to 80%	6	0.4%	1,583	100.0%
80% to 90%	0	0.0%	1,583	100.0%
90% to 100%	0	0.0%	1,583	100.0%
100% to 110%	0	0.0%	1,583	100.0%
110% to 120%	0	0.0%	1,583	100.0%
120% to 130%	0	0.0%	1,583	100.0%
130% to 140%	0	0.0%	1,583	100.0%
140% to 150%	0	0.0%	1,583	100.0%

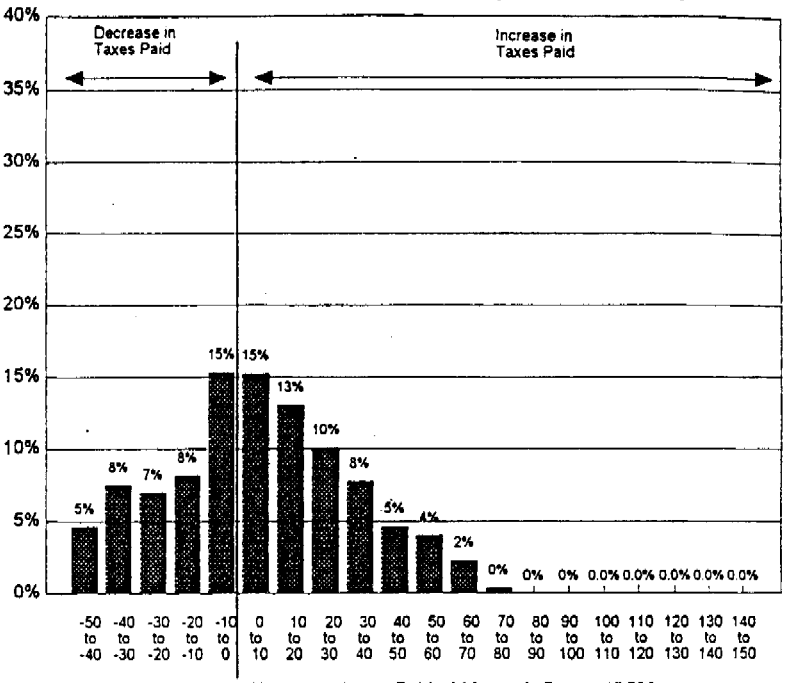
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 15% of the residential properties increased in taxes paid between 0 and 10 percent.

Hill County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	22	0.4%	22	0.4%
-30% to -40%	181	3.4%	203	3.8%
-20% to -30%	296	5.5%	499	9.2%
-10% to -20%	854	15.8%	1,353	25.1%
0% to -10%	1,730	32.0%	3,083	57.1%
0% to 10%	1,239	22.9%	4,322	80.1%
10% to 20%	587	10.9%	4,909	90.9%
20% to 30%	236	4.4%	5,145	95.3%
30% to 40%	114	2.1%	5,259	97.4%
40% to 50%	56	1.0%	5,315	98.4%
50% to 60%	36	0.7%	5,351	99.1%
60% to 70%	28	0.5%	5,379	99.6%
70% to 80%	12	0.2%	5,391	99.9%
80% to 90%	8	0.1%	5,399	100.0%
90% to 100%	0	0.0%	5,399	100.0%
100% to 110%	0	0.0%	5,399	100.0%
110% to 120%	0	0.0%	5,399	100.0%
120% to 130%	0	0.0%	5,399	100.0%
130% to 140%	0	0.0%	5,399	100.0%
140% to 150%	0	0.0%	5,399	100.0%

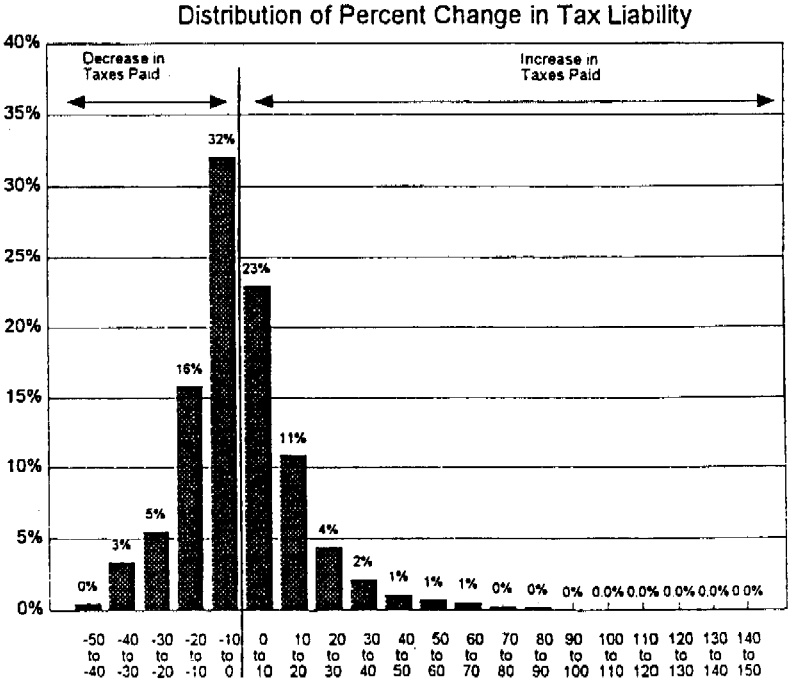
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Jefferson County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	3	0.1%	3	0.1%
-30% to -40%	16	0.5%	19	0.6%
-20% to -30%	112	3.4%	131	4.0%
-10% to -20%	394	11.9%	525	15.9%
0% to -10%	778	23.5%	1,303	39.4%
0% to 10%	986	29.8%	2,289	69.1%
10% to 20%	524	15.8%	2,813	85.0%
20% to 30%	236	7.1%	3,049	92.1%
30% to 40%	123	3.7%	3,172	95.8%
40% to 50%	55	1.7%	3,227	97.5%
50% to 60%	49	1.5%	3,276	98.9%
60% to 70%	27	0.8%	3,303	99.8%
70% to 80%	8	0.2%	3,311	100.0%
80% to 90%	0	0.0%	3,311	100.0%
90% to 100%	0	0.0%	3,311	100.0%
100% to 110%	0	0.0%	3,311	100.0%
110% to 120%	0	0.0%	3,311	100.0%
120% to 130%	0	0.0%	3,311	100.0%
130% to 140%	0	0.0%	3,311	100.0%
140% to 150%	0	0.0%	3,311	100.0%

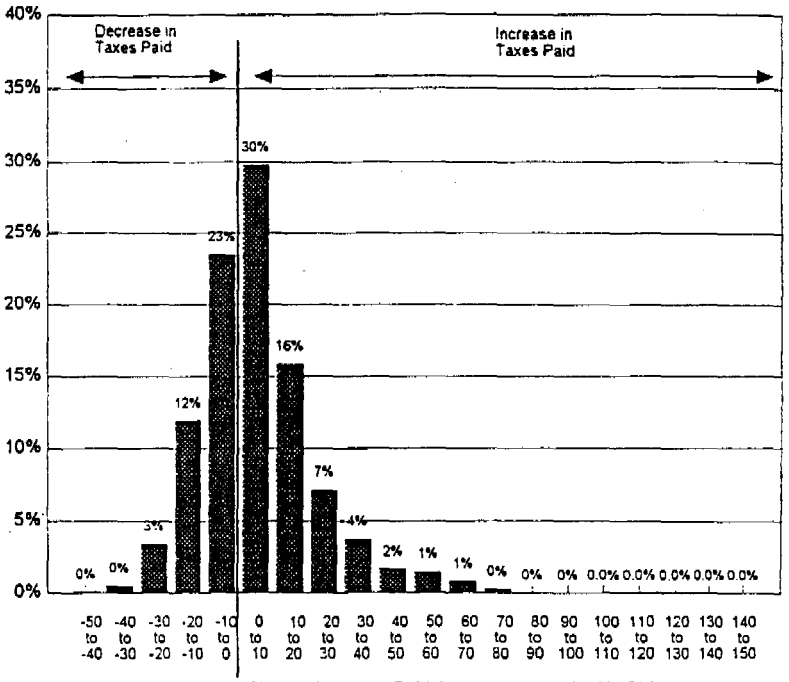
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 30% of the residential properties increased in taxes paid between 0 and 10 percent.

Judith Basin County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	37	2.9%	37	2.9%
-30% to -40%	46	3.6%	83	6.4%
-20% to -30%	76	5.9%	159	12.3%
-10% to -20%	189	14.6%	348	27.0%
0% to -10%	282	21.8%	630	48.8%
0% to 10%	286	22.2%	916	71.0%
10% to 20%	175	13.6%	1,091	84.5%
20% to 30%	83	6.4%	1,174	90.9%
30% to 40%	50	3.9%	1,224	94.8%
40% to 50%	32	2.5%	1,256	97.3%
50% to 60%	22	1.7%	1,278	99.0%
60% to 70%	9	0.7%	1,287	99.7%
70% to 80%	2	0.2%	1,289	99.8%
80% to 90%	2	0.2%	1,291	100.0%
90% to 100%	0	0.0%	1,291	100.0%
100% to 110%	0	0.0%	1,291	100.0%
110% to 120%	0	0.0%	1,291	100.0%
120% to 130%	0	0.0%	1,291	100.0%
130% to 140%	0	0.0%	1,291	100.0%
140% to 150%	0	0.0%	1,291	100.0%

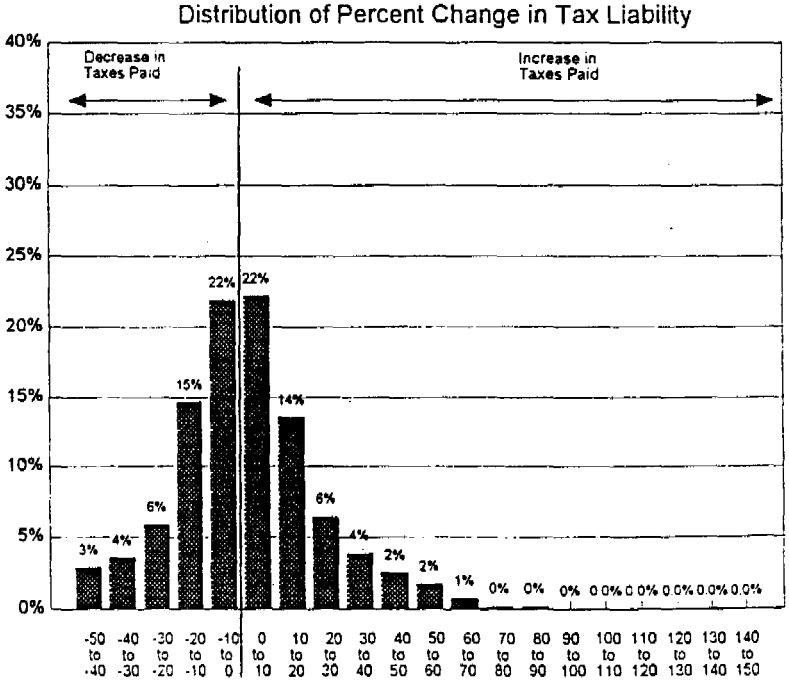
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 22% of the residential properties increased in taxes paid between 0 and 10 percent.

Lake County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	82	0.9%	82	0.9%
-30% to -40%	365	4.2%	447	5.1%
-20% to -30%	734	8.4%	1,181	13.5%
-10% to -20%	1,673	19.2%	2,854	32.7%
0% to -10%	1,847	21.2%	4,701	53.8%
0% to 10%	1,658	19.0%	6,359	72.8%
10% to 20%	1,061	12.2%	7,420	85.0%
20% to 30%	569	6.5%	7,989	91.5%
30% to 40%	332	3.8%	8,321	95.3%
40% to 50%	208	2.4%	8,529	97.7%
50% to 60%	132	1.5%	8,661	99.2%
60% to 70%	62	0.7%	8,723	99.9%
70% to 80%	9	0.1%	8,732	100.0%
80% to 90%	0	0.0%	8,732	100.0%
90% to 100%	0	0.0%	8,732	100.0%
100% to 110%	0	0.0%	8,732	100.0%
110% to 120%	0	0.0%	8,732	100.0%
120% to 130%	0	0.0%	8,732	100.0%
130% to 140%	0	0.0%	8,732	100.0%
140% to 150%	0	0.0%	8,732	100.0%

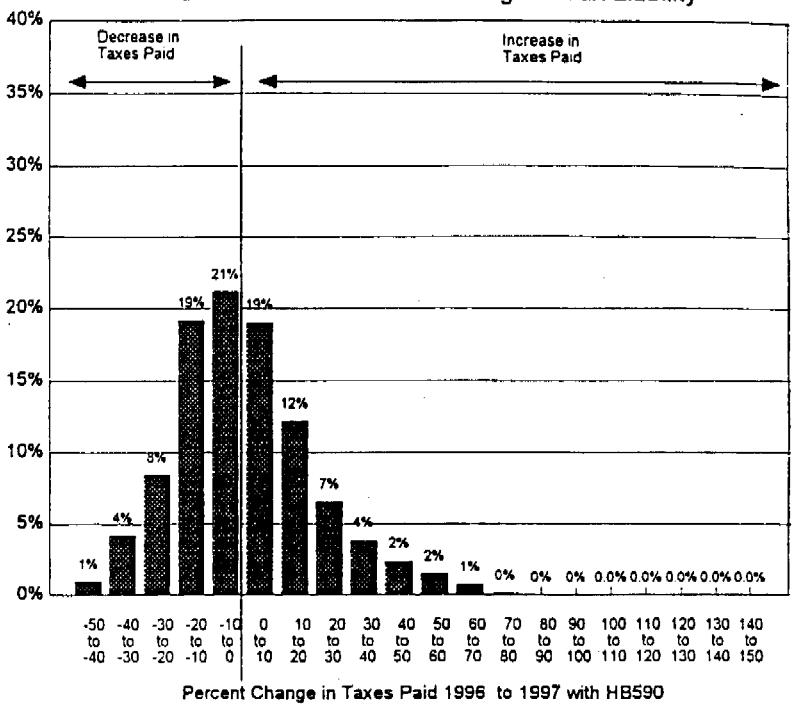
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 19% of the residential properties increased in taxes paid between 0 and 10 percent.

Lewis And Clark County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	29	0.2%	29	0.2%
-30% to -40%	110	0.6%	139	0.8%
-20% to -30%	457	2.5%	596	3.3%
-10% to -20%	1,295	7.2%	1,891	10.5%
0% to -10%	4,607	25.6%	6,498	36.2%
0% to 10%	5,766	32.1%	12,264	68.3%
10% to 20%	3,163	17.6%	15,427	85.9%
20% to 30%	1,201	6.7%	16,628	92.5%
30% to 40%	550	3.1%	17,178	95.6%
40% to 50%	467	2.6%	17,645	98.2%
50% to 60%	181	1.0%	17,826	99.2%
60% to 70%	114	0.6%	17,940	99.8%
70% to 80%	27	0.2%	17,967	100.0%
80% to 90%	0	0.0%	17,967	100.0%
90% to 100%	0	0.0%	17,967	100.0%
100% to 110%	0	0.0%	17,967	100.0%
110% to 120%	0	0.0%	17,967	100.0%
120% to 130%	0	0.0%	17,967	100.0%
130% to 140%	0	0.0%	17,967	100.0%
140% to 150%	0	0.0%	17,967	100.0%

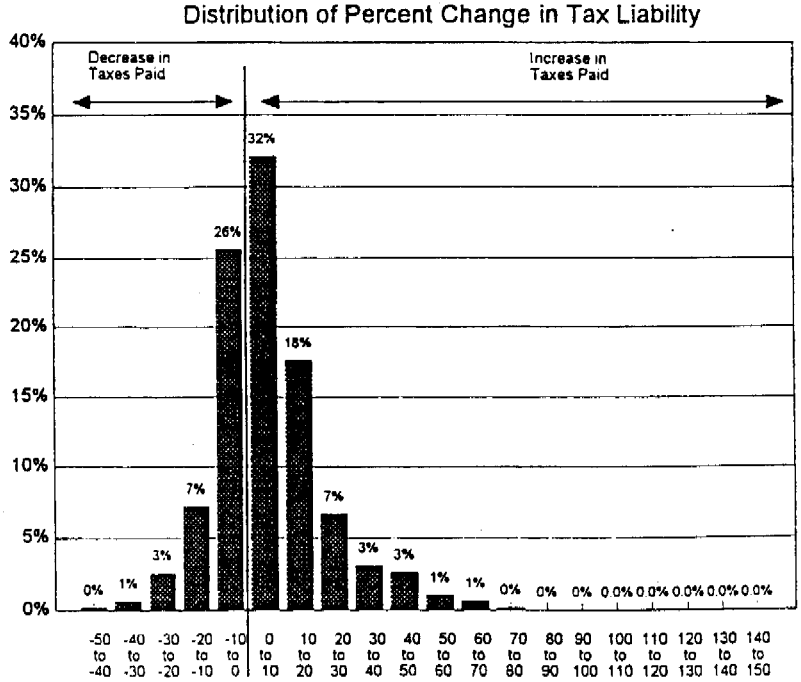
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 32% of the residential properties increased in taxes paid between 0 and 10 percent.

Liberty County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	18	2.0%	18	2.0%
-30% to -40%	38	4.2%	56	6.2%
-20% to -30%	105	11.6%	161	17.8%
-10% to -20%	208	23.0%	369	40.7%
0% to -10%	253	27.9%	622	68.7%
0% to 10%	169	18.7%	791	87.3%
10% to 20%	81	8.9%	872	96.2%
20% to 30%	22	2.4%	894	98.7%
30% to 40%	3	0.3%	897	99.0%
40% to 50%	6	0.7%	903	99.7%
50% to 60%	0	0.0%	903	99.7%
60% to 70%	1	0.1%	904	99.8%
70% to 80%	2	0.2%	906	100.0%
80% to 90%	0	0.0%	906	100.0%
90% to 100%	0	0.0%	906	100.0%
100% to 110%	0	0.0%	906	100.0%
110% to 120%	0	0.0%	906	100.0%
120% to 130%	0	0.0%	906	100.0%
130% to 140%	0	0.0%	906	100.0%
140% to 150%	0	0.0%	906	100.0%

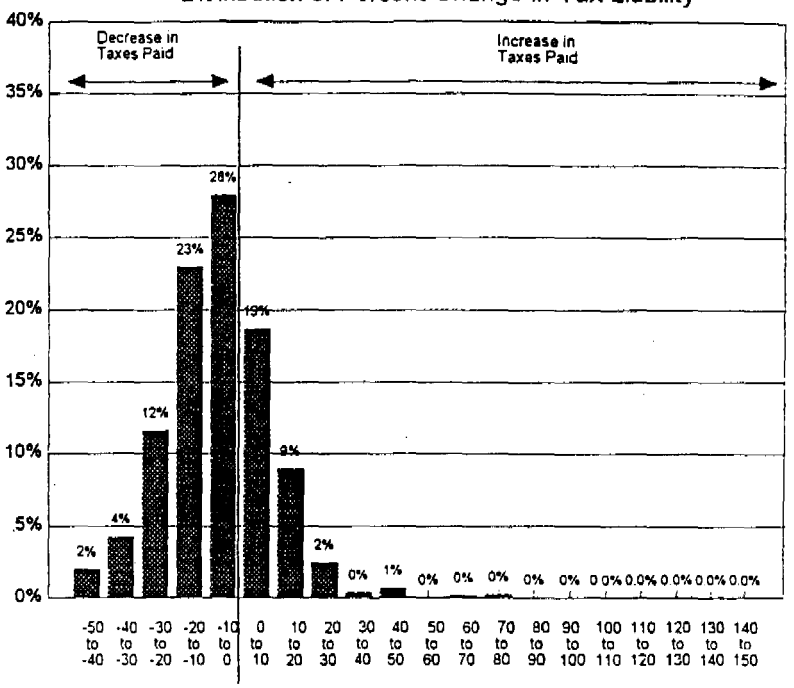
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 19% of the residential properties increased in taxes paid between 0 and 10 percent.

Lincoln County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	25	0.4%	25	0.4%
-30% to -40%	81	1.2%	106	1.5%
-20% to -30%	352	5.0%	458	6.6%
-10% to -20%	1,264	18.1%	1,722	24.7%
0% to -10%	2,034	29.1%	3,756	53.8%
0% to 10%	1,719	24.6%	5,475	78.4%
10% to 20%	726	10.4%	6,201	88.8%
20% to 30%	319	4.6%	6,520	93.4%
30% to 40%	209	3.0%	6,729	96.4%
40% to 50%	111	1.6%	6,840	98.0%
50% to 60%	70	1.0%	6,910	99.0%
60% to 70%	48	0.7%	6,958	99.7%
70% to 80%	23	0.3%	6,981	100.0%
80% to 90%	0	0.0%	6,981	100.0%
90% to 100%	0	0.0%	6,981	100.0%
100% to 110%	0	0.0%	6,981	100.0%
110% to 120%	0	0.0%	6,981	100.0%
120% to 130%	0	0.0%	6,981	100.0%
130% to 140%	0	0.0%	6,981	100.0%
140% to 150%	0	0.0%	6,981	100.0%

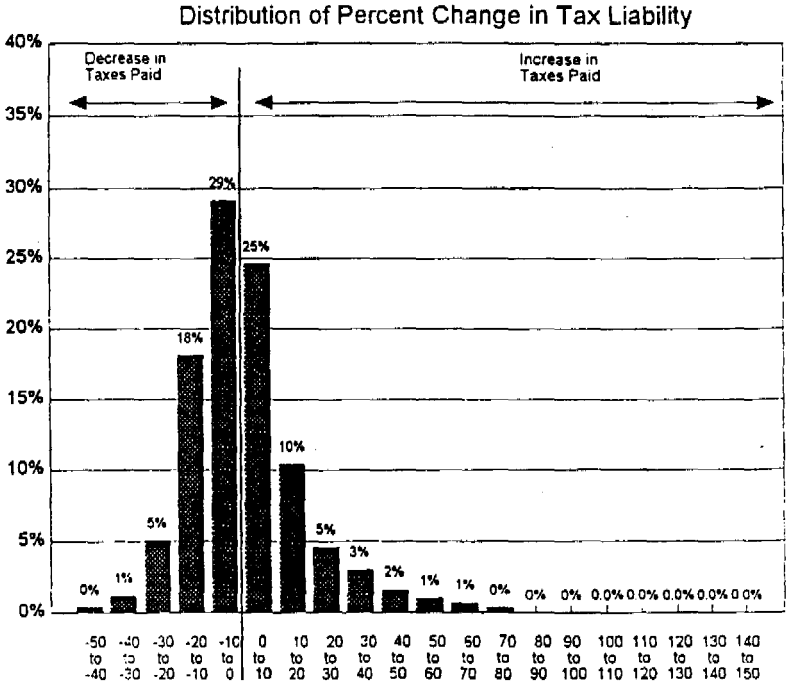
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 25% of the residential properties increased in taxes paid between 0 and 10 percent.

Madison County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	36	1.1%	36	1.1%
-30% to -40%	182	5.5%	218	6.6%
-20% to -30%	289	8.8%	507	15.4%
-10% to -20%	481	14.6%	988	30.0%
0% to -10%	589	17.9%	1,577	47.9%
0% to 10%	577	17.5%	2,154	65.5%
10% to 20%	398	12.1%	2,552	77.6%
20% to 30%	279	8.5%	2,831	86.0%
30% to 40%	170	5.2%	3,001	91.2%
40% to 50%	126	3.8%	3,127	95.0%
50% to 60%	85	2.6%	3,212	97.6%
60% to 70%	58	1.8%	3,270	99.4%
70% to 80%	19	0.6%	3,289	100.0%
80% to 90%	1	0.0%	3,290	100.0%
90% to 100%	0	0.0%	3,290	100.0%
100% to 110%	0	0.0%	3,290	100.0%
110% to 120%	0	0.0%	3,290	100.0%
120% to 130%	0	0.0%	3,290	100.0%
130% to 140%	0	0.0%	3,290	100.0%
140% to 150%	0	0.0%	3,290	100.0%

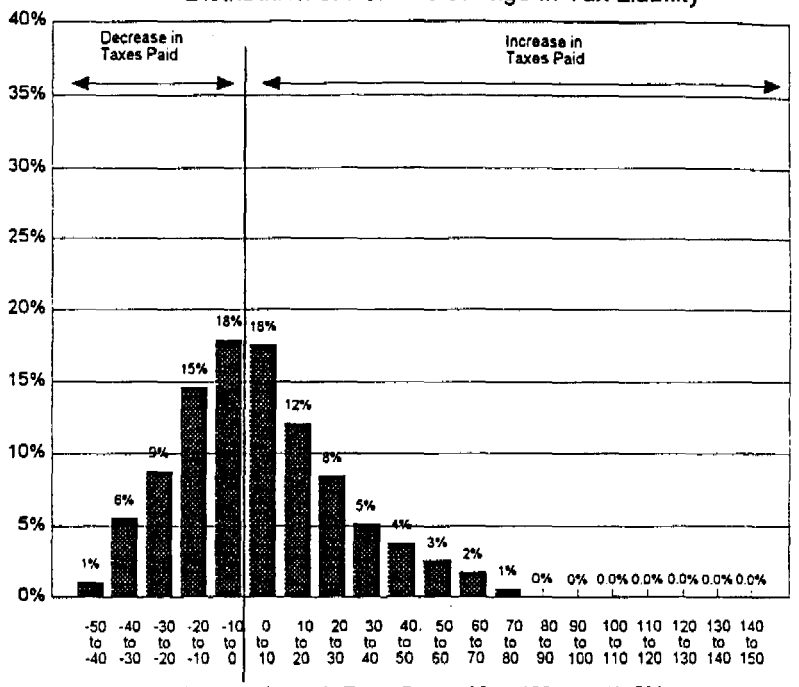
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 18% of the residential properties increased in taxes paid between 0 and 10 percent.

McCone County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	110	11.7%	110	11.7%
-30% to -40%	189	20.1%	299	31.9%
-20% to -30%	251	26.8%	550	58.6%
-10% to -20%	171	18.2%	721	76.9%
0% to -10%	96	10.2%	817	87.1%
0% to 10%	44	4.7%	861	91.8%
10% to 20%	35	3.7%	896	95.5%
20% to 30%	14	1.5%	910	97.0%
30% to 40%	12	1.3%	922	98.3%
40% to 50%	10	1.1%	932	99.4%
50% to 60%	3	0.3%	935	99.7%
60% to 70%	1	0.1%	936	99.8%
70% to 80%	1	0.1%	937	99.9%
80% to 90%	1	0.1%	938	100.0%
90% to 100%	0	0.0%	938	100.0%
100% to 110%	0	0.0%	938	100.0%
110% to 120%	0	0.0%	938	100.0%
120% to 130%	0	0.0%	938	100.0%
130% to 140%	0	0.0%	938	100.0%
140% to 150%	0	0.0%	938	100.0%

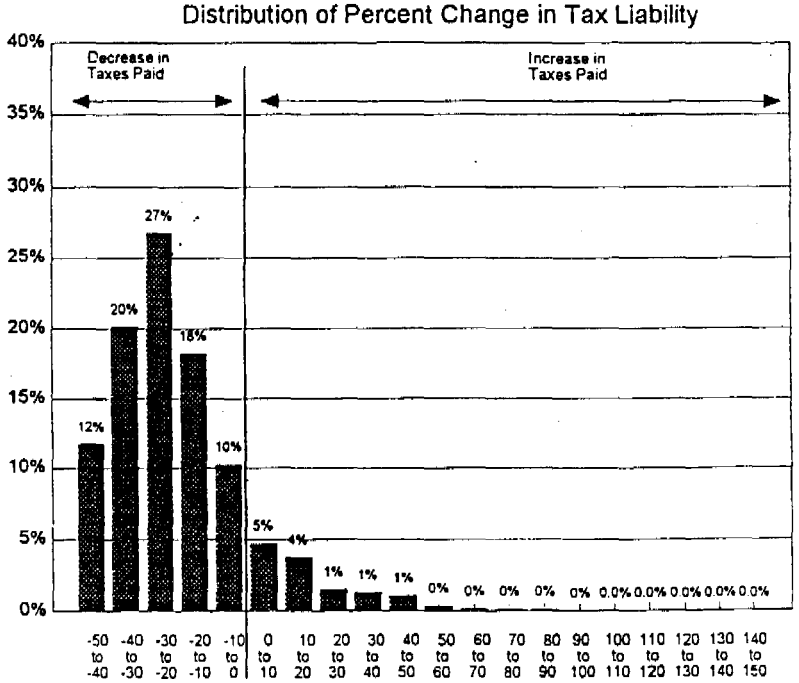
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 5% of the residential properties increased in taxes paid between 0 and 10 percent.

Meagher County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	4	0.4%	4	0.4%
-30% to -40%	15	1.4%	19	1.8%
-20% to -30%	63	6.0%	82	7.8%
-10% to -20%	150	14.2%	232	22.0%
0% to -10%	265	25.2%	497	47.2%
0% to 10%	191	18.1%	688	65.3%
10% to 20%	129	12.3%	817	77.6%
20% to 30%	90	8.5%	907	86.1%
30% to 40%	65	6.2%	972	92.3%
40% to 50%	43	4.1%	1,015	96.4%
50% to 60%	18	1.7%	1,033	98.1%
60% to 70%	19	1.8%	1,052	99.9%
70% to 80%	1	0.1%	1,053	100.0%
80% to 90%	0	0.0%	1,053	100.0%
90% to 100%	0	0.0%	1,053	100.0%
100% to 110%	0	0.0%	1,053	100.0%
110% to 120%	0	0.0%	1,053	100.0%
120% to 130%	0	0.0%	1,053	100.0%
130% to 140%	0	0.0%	1,053	100.0%
140% to 150%	0	0.0%	1,053	100.0%

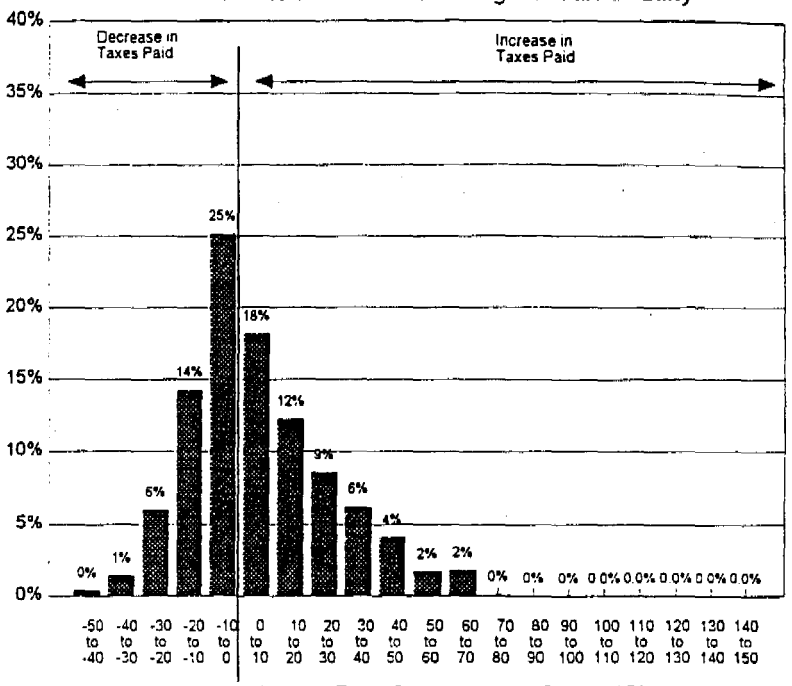
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 18% of the residential properties increased in taxes paid between 0 and 10 percent.

Mineral County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	48	3.5%	48	3.5%
-30% to -40%	154	11.4%	202	14.9%
-20% to -30%	251	18.5%	453	33.4%
-10% to -20%	263	19.4%	716	52.8%
0% to -10%	285	21.0%	1,001	73.9%
0% to 10%	146	10.8%	1,147	84.6%
10% to 20%	86	6.3%	1,233	91.0%
20% to 30%	56	4.1%	1,289	95.1%
30% to 40%	25	1.8%	1,314	97.0%
40% to 50%	24	1.8%	1,338	98.7%
50% to 60%	9	0.7%	1,347	99.4%
60% to 70%	7	0.5%	1,354	99.9%
70% to 80%	1	0.1%	1,355	100.0%
80% to 90%	0	0.0%	1,355	100.0%
90% to 100%	0	0.0%	1,355	100.0%
100% to 110%	0	0.0%	1,355	100.0%
110% to 120%	0	0.0%	1,355	100.0%
120% to 130%	0	0.0%	1,355	100.0%
130% to 140%	0	0.0%	1,355	100.0%
140% to 150%	0	0.0%	1,355	100.0%

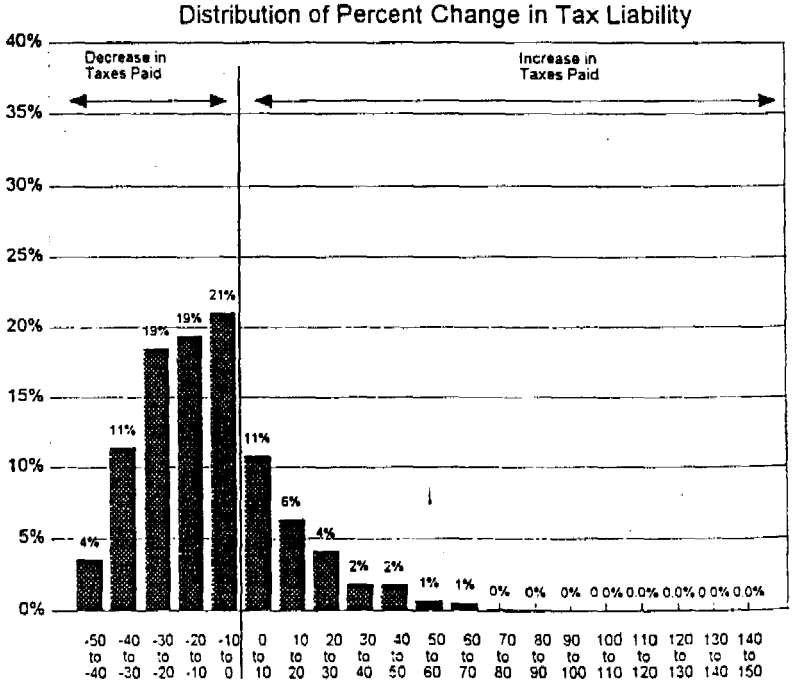
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 11% of the residential properties increased in taxes paid between 0 and 10 percent.

Missoula County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	229	0.9%	229	0.9%
-30% to -40%	499	2.0%	728	2.9%
-20% to -30%	1,173	4.7%	1,901	7.7%
-10% to -20%	2,640	10.6%	4,541	18.3%
0% to -10%	3,787	15.3%	8,328	33.6%
0% to 10%	6,329	25.5%	14,657	59.1%
10% to 20%	5,391	21.7%	20,048	80.9%
20% to 30%	2,828	11.4%	22,876	92.3%
30% to 40%	1,149	4.6%	24,025	96.9%
40% to 50%	458	1.8%	24,483	98.7%
50% to 60%	183	0.7%	24,666	99.5%
60% to 70%	99	0.4%	24,765	99.9%
70% to 80%	28	0.1%	24,793	100.0%
80% to 90%	0	0.0%	24,793	100.0%
90% to 100%	0	0.0%	24,793	100.0%
100% to 110%	0	0.0%	24,793	100.0%
110% to 120%	0	0.0%	24,793	100.0%
120% to 130%	0	0.0%	24,793	100.0%
130% to 140%	0	0.0%	24,793	100.0%
140% to 150%	0	0.0%	24,793	100.0%

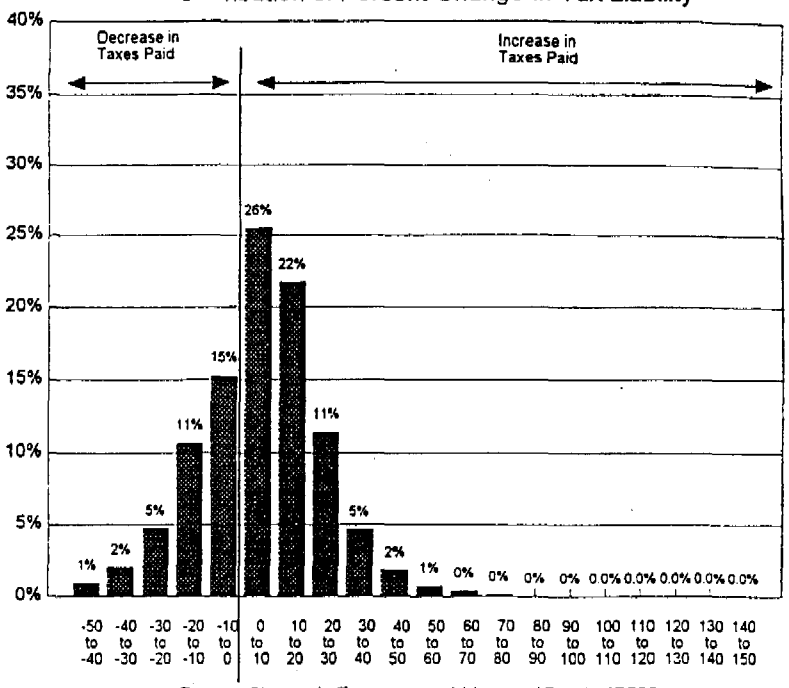
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 26% of the residential properties increased in taxes paid between 0 and 10 percent.

Musselshell County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	25	1.3%	25	1.3%
-30% to -40%	69	3.5%	94	4.8%
-20% to -30%	117	5.9%	211	10.7%
-10% to -20%	311	15.7%	522	26.4%
0% to -10%	443	22.4%	965	48.8%
0% to 10%	453	22.9%	1,418	71.7%
10% to 20%	281	14.2%	1,699	85.9%
20% to 30%	102	5.2%	1,801	91.1%
30% to 40%	79	4.0%	1,880	95.0%
40% to 50%	42	2.1%	1,922	97.2%
50% to 60%	32	1.6%	1,954	98.8%
60% to 70%	16	0.8%	1,970	99.6%
70% to 80%	8	0.4%	1,978	100.0%
80% to 90%	0	0.0%	1,978	100.0%
90% to 100%	0	0.0%	1,978	100.0%
100% to 110%	0	0.0%	1,978	100.0%
110% to 120%	0	0.0%	1,978	100.0%
120% to 130%	0	0.0%	1,978	100.0%
130% to 140%	0	0.0%	1,978	100.0%
140% to 150%	0	0.0%	1,978	100.0%

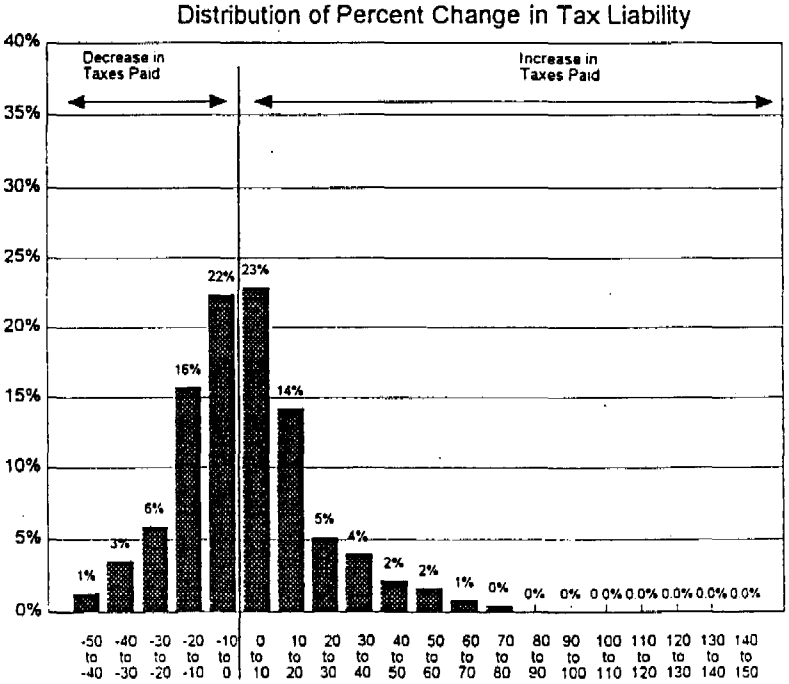
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Park County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	48	0.8%	48	0.8%
-30% to -40%	212	3.7%	260	4.6%
-20% to -30%	234	4.1%	494	8.6%
-10% to -20%	403	7.1%	897	15.7%
0% to -10%	552	9.7%	1,449	25.4%
0% to 10%	837	14.7%	2,286	40.0%
10% to 20%	1,031	18.1%	3,317	58.1%
20% to 30%	890	15.6%	4,207	73.7%
30% to 40%	609	10.7%	4,816	84.3%
40% to 50%	439	7.7%	5,255	92.0%
50% to 60%	309	5.4%	5,564	97.4%
60% to 70%	127	2.2%	5,691	99.6%
70% to 80%	20	0.4%	5,711	100.0%
80% to 90%	0	0.0%	5,711	100.0%
90% to 100%	0	0.0%	5,711	100.0%
100% to 110%	0	0.0%	5,711	100.0%
110% to 120%	0	0.0%	5,711	100.0%
120% to 130%	0	0.0%	5,711	100.0%
130% to 140%	0	0.0%	5,711	100.0%
140% to 150%	0	0.0%	5,711	100.0%

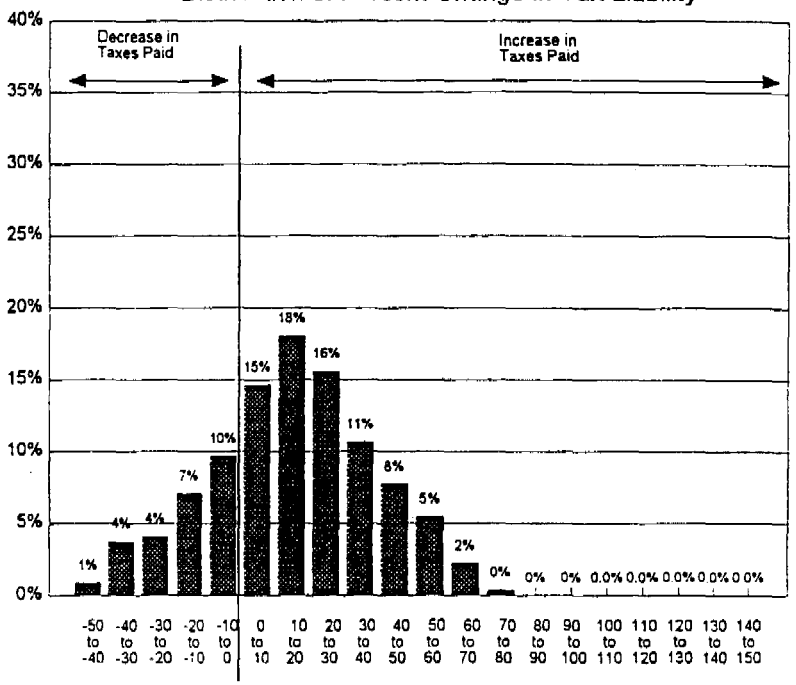
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 15% of the residential properties increased in taxes paid between 0 and 10 percent.

Petroleum County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	4	1.6%	4	1.6%
-30% to -40%	8	3.1%	12	4.7%
-20% to -30%	15	5.8%	27	10.5%
-10% to -20%	26	10.1%	53	20.6%
0% to -10%	40	15.6%	93	36.2%
0% to 10%	75	29.2%	168	65.4%
10% to 20%	44	17.1%	212	82.5%
20% to 30%	14	5.4%	226	87.9%
30% to 40%	15	5.8%	241	93.8%
40% to 50%	10	3.9%	251	97.7%
50% to 60%	4	1.6%	255	99.2%
60% to 70%	2	0.8%	257	100.0%
70% to 80%	0	0.0%	257	100.0%
80% to 90%	0	0.0%	257	100.0%
90% to 100%	0	0.0%	257	100.0%
100% to 110%	0	0.0%	257	100.0%
110% to 120%	0	0.0%	257	100.0%
120% to 130%	0	0.0%	257	100.0%
130% to 140%	0	0.0%	257	100.0%
140% to 150%	0	0.0%	257	100.0%

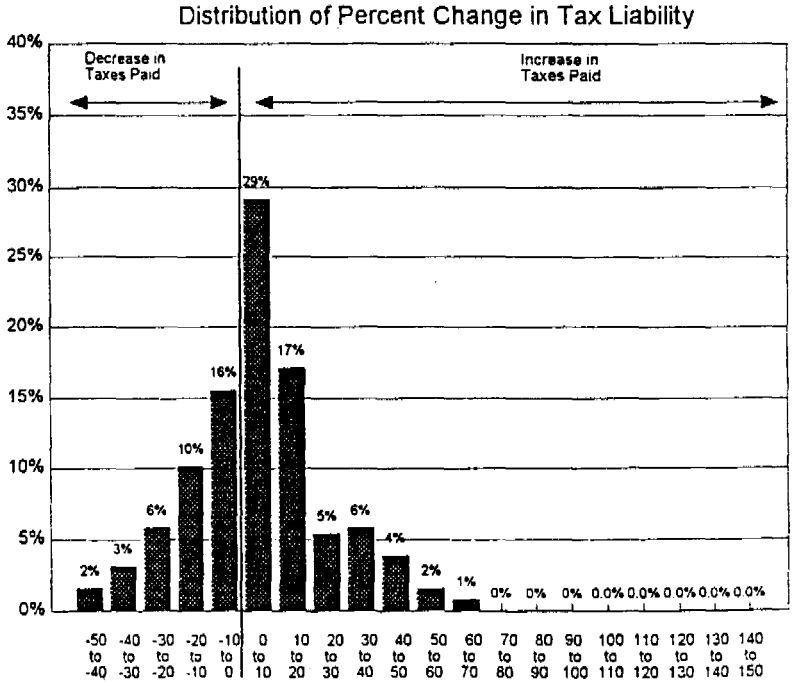
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 29% of the residential properties increased in taxes paid between 0 and 10 percent.

Phillips County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	54	3.0%	54	3.0%
-30% to -40%	190	10.6%	244	13.6%
-20% to -30%	538	29.9%	782	43.5%
-10% to -20%	568	31.6%	1,350	75.1%
0% to -10%	243	13.5%	1,593	88.6%
0% to 10%	101	5.6%	1,694	94.3%
10% to 20%	51	2.8%	1,745	97.1%
20% to 30%	31	1.7%	1,776	98.8%
30% to 40%	14	0.8%	1,790	99.6%
40% to 50%	2	0.1%	1,792	99.7%
50% to 60%	1	0.1%	1,793	99.8%
60% to 70%	0	0.0%	1,793	99.8%
70% to 80%	2	0.1%	1,795	99.9%
80% to 90%	1	0.1%	1,796	99.9%
90% to 100%	1	0.1%	1,797	100.0%
100% to 110%	0	0.0%	1,797	100.0%
110% to 120%	0	0.0%	1,797	100.0%
120% to 130%	0	0.0%	1,797	100.0%
130% to 140%	0	0.0%	1,797	100.0%
140% to 150%	0	0.0%	1,797	100.0%

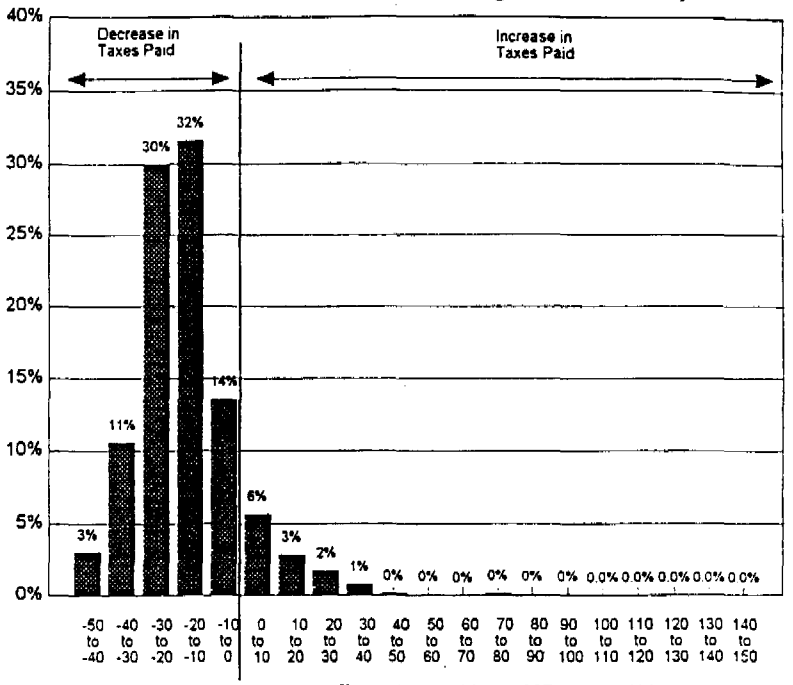
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 6% of the residential properties increased in taxes paid between 0 and 10 percent.

Ponde a County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	23	1.2%	23	1.2%
-30% to -40%	37	1.9%	60	3.0%
-20% to -30%	79	4.0%	139	7.1%
-10% to -20%	249	12.6%	388	19.7%
0% to -10%	435	22.1%	823	41.8%
0% to 10%	444	22.5%	1,267	64.3%
10% to 20%	310	15.7%	1,577	80.1%
20% to 30%	193	9.8%	1,770	89.8%
30% to 40%	87	4.4%	1,857	94.3%
40% to 50%	49	2.5%	1,906	96.8%
50% to 60%	26	1.3%	1,932	98.1%
60% to 70%	16	0.8%	1,948	98.9%
70% to 80%	20	1.0%	1,968	99.9%
80% to 90%	2	0.1%	1,970	100.0%
90% to 100%	0	0.0%	1,970	100.0%
100% to 110%	0	0.0%	1,970	100.0%
110% to 120%	0	0.0%	1,970	100.0%
120% to 130%	0	0.0%	1,970	100.0%
130% to 140%	0	0.0%	1,970	100.0%
140% to 150%	0	0.0%	1,970	100.0%

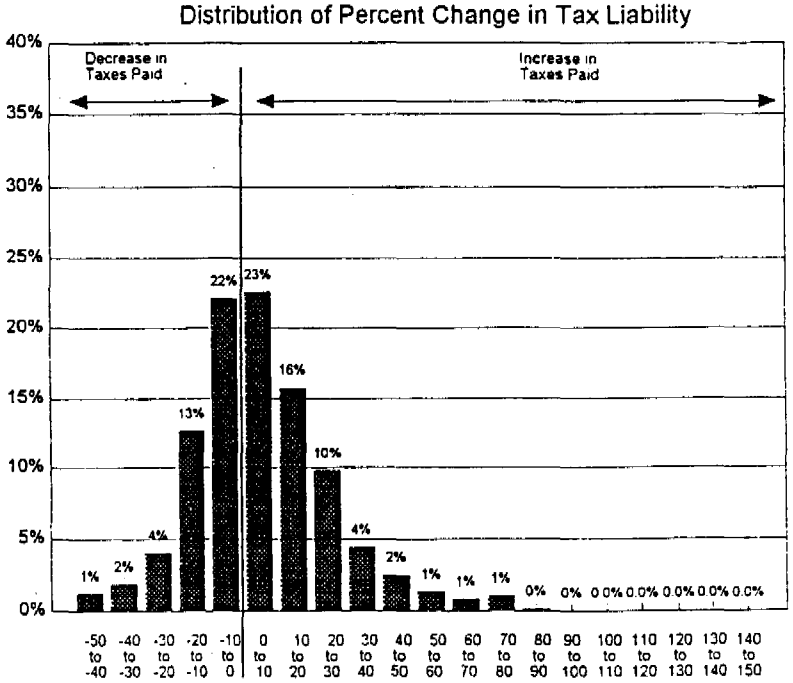
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Powder River County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	84	9.6%	84	9.6%
-30% to -40%	196	22.4%	280	32.0%
-20% to -30%	251	28.7%	531	60.7%
-10% to -20%	122	13.9%	653	74.6%
0% to -10%	73	8.3%	726	83.0%
0% to 10%	54	6.2%	780	89.1%
10% to 20%	36	4.1%	816	93.3%
20% to 30%	25	2.9%	841	96.1%
30% to 40%	14	1.6%	855	97.7%
40% to 50%	13	1.5%	868	99.2%
50% to 60%	2	0.2%	870	99.4%
60% to 70%	5	0.6%	875	100.0%
70% to 80%	0	0.0%	875	100.0%
80% to 90%	0	0.0%	875	100.0%
90% to 100%	0	0.0%	875	100.0%
100% to 110%	0	0.0%	875	100.0%
110% to 120%	0	0.0%	875	100.0%
120% to 130%	0	0.0%	875	100.0%
130% to 140%	0	0.0%	875	100.0%
140% to 150%	0	0.0%	875	100.0%

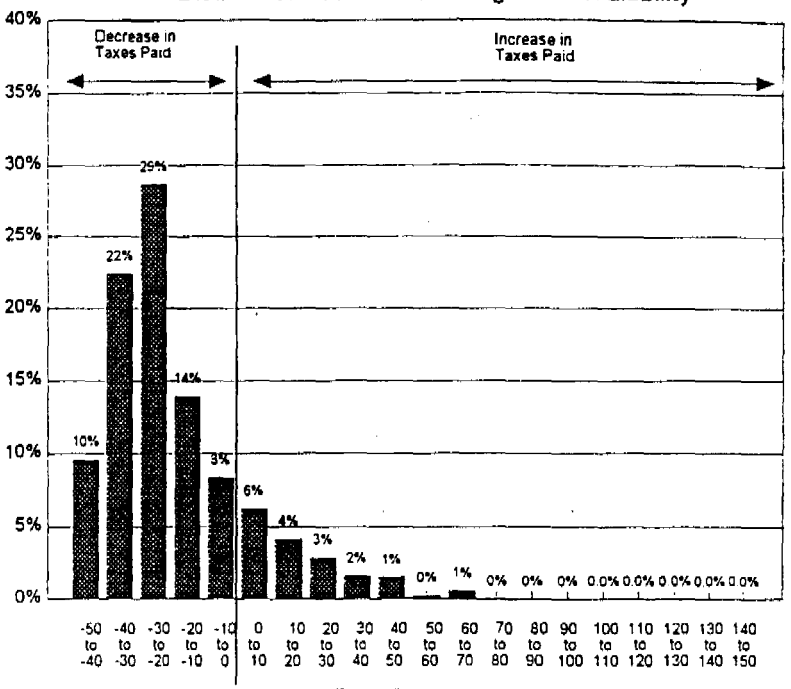
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 6% of the residential properties increased in taxes paid between 0 and 10 percent.

Powell County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	8	0.4%	8	0.4%
-30% to -40%	25	1.1%	33	1.4%
-20% to -30%	365	16.0%	398	17.5%
-10% to -20%	707	31.1%	1,105	48.6%
0% to -10%	493	21.7%	1,598	70.2%
0% to 10%	285	12.5%	1,883	82.7%
10% to 20%	176	7.7%	2,059	90.5%
20% to 30%	85	3.7%	2,144	94.2%
30% to 40%	48	2.1%	2,192	96.3%
40% to 50%	41	1.8%	2,233	98.1%
50% to 60%	30	1.3%	2,263	99.4%
60% to 70%	9	0.4%	2,272	99.8%
70% to 80%	2	0.1%	2,274	99.9%
80% to 90%	2	0.1%	2,276	100.0%
90% to 100%	0	0.0%	2,276	100.0%
100% to 110%	0	0.0%	2,276	100.0%
110% to 120%	0	0.0%	2,276	100.0%
120% to 130%	0	0.0%	2,276	100.0%
130% to 140%	0	0.0%	2,276	100.0%
140% to 150%	0	0.0%	2,276	100.0%

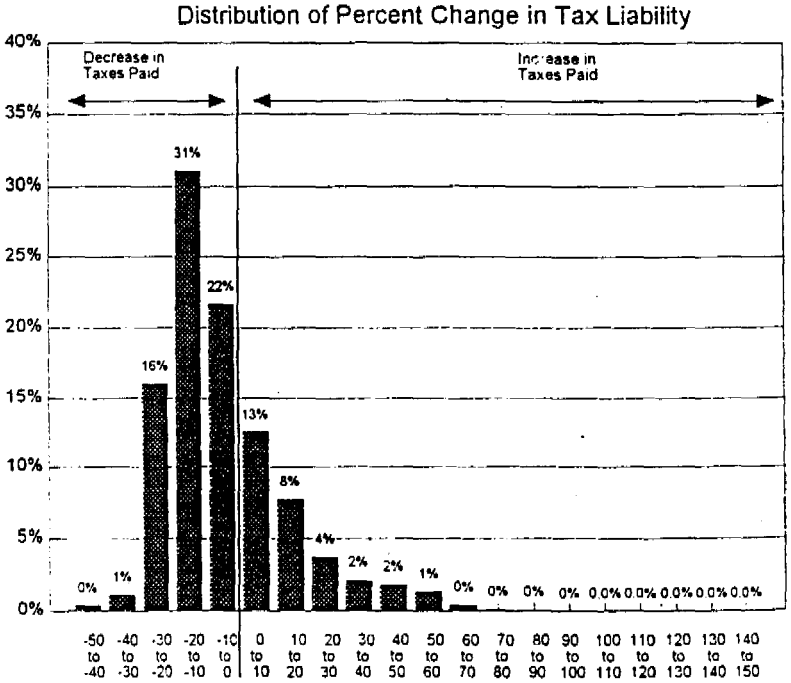
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 13% of the residential properties increased in taxes paid between 0 and 10 percent.

Prairie County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	35	6.3%	35	6.3%
-30% to -40%	112	20.1%	147	26.3%
-20% to -30%	158	28.3%	305	54.7%
-10% to -20%	90	16.1%	395	70.8%
0% to -10%	54	9.7%	449	80.5%
0% to 10%	44	7.9%	493	88.4%
10% to 20%	22	3.9%	515	92.3%
20% to 30%	22	3.9%	537	96.2%
30% to 40%	9	1.6%	546	97.8%
40% to 50%	3	0.5%	549	98.4%
50% to 60%	3	0.5%	552	98.9%
60% to 70%	2	0.4%	554	99.3%
70% to 80%	2	0.4%	556	99.6%
80% to 90%	2	0.4%	558	100.0%
90% to 100%	0	0.0%	558	100.0%
100% to 110%	0	0.0%	558	100.0%
110% to 120%	0	0.0%	558	100.0%
120% to 130%	0	0.0%	558	100.0%
130% to 140%	0	0.0%	558	100.0%
140% to 150%	0	0.0%	558	100.0%

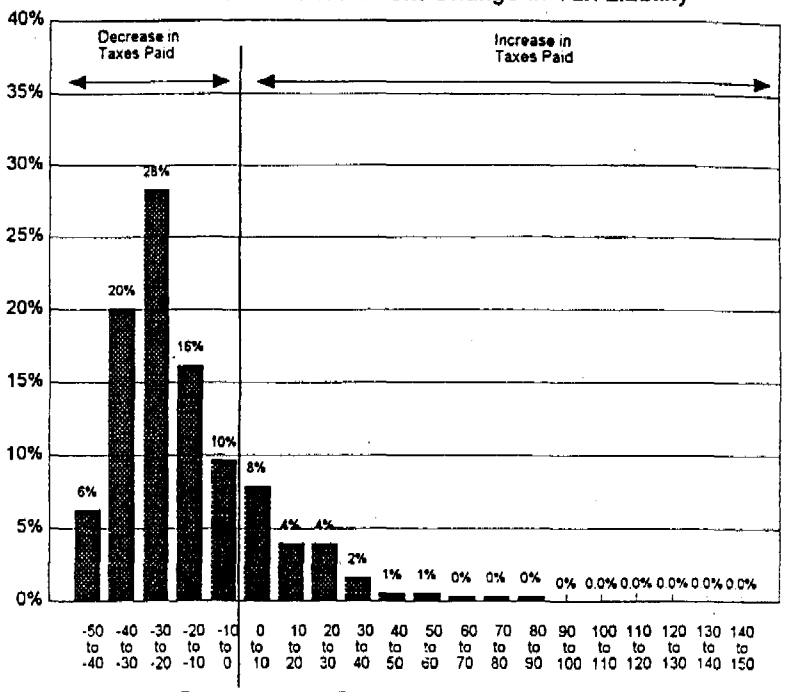
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 8% of the residential properties increased in taxes paid between 0 and 10 percent

Ravalli County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	46	0.4%	46	0.4%
-30% to -40%	111	1.0%	157	1.4%
-20% to -30%	338	3.1%	495	4.5%
-10% to -20%	1,299	11.8%	1,794	16.2%
0% to -10%	2,277	20.6%	4,071	36.9%
0% to 10%	2,856	25.9%	6,927	62.7%
10% to 20%	2,205	20.0%	9,132	82.7%
20% to 30%	1,104	10.0%	10,236	92.7%
30% to 40%	472	4.3%	10,708	96.9%
40% to 50%	206	1.9%	10,914	98.8%
50% to 60%	79	0.7%	10,993	99.5%
60% to 70%	44	0.4%	11,037	99.9%
70% to 80%	9	0.1%	11,046	100.0%
80% to 90%	0	0.0%	11,046	100.0%
90% to 100%	0	0.0%	11,046	100.0%
100% to 110%	0	0.0%	11,046	100.0%
110% to 120%	0	0.0%	11,046	100.0%
120% to 130%	0	0.0%	11,046	100.0%
130% to 140%	0	0.0%	11,046	100.0%
140% to 150%	0	0.0%	11,046	100.0%

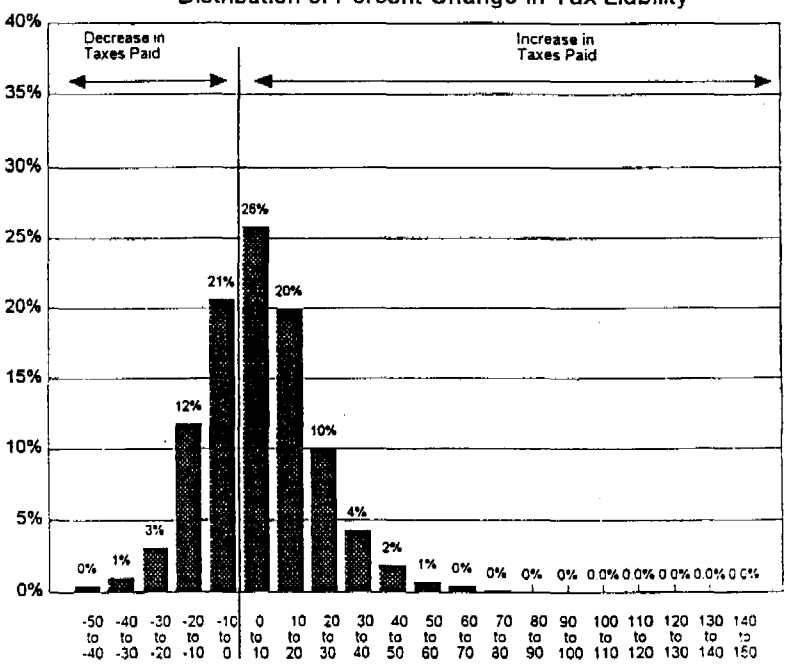
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 26% of the residential properties increased in taxes paid between 0 and 10 percent

Richland County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	41	1.2%	41	1.2%
-30% to -40%	84	2.5%	125	3.7%
-20% to -30%	404	12.1%	529	15.8%
-10% to -20%	840	25.2%	1,369	41.0%
0% to -10%	937	28.1%	2,306	69.1%
0% to 10%	562	16.8%	2,868	85.9%
10% to 20%	264	7.9%	3,132	93.8%
20% to 30%	110	3.3%	3,242	97.1%
30% to 40%	46	1.4%	3,288	98.5%
40% to 50%	22	0.7%	3,310	99.1%
50% to 60%	16	0.5%	3,326	99.6%
60% to 70%	9	0.3%	3,335	99.9%
70% to 80%	3	0.1%	3,338	100.0%
80% to 90%	1	0.0%	3,339	100.0%
90% to 100%	0	0.0%	3,339	100.0%
100% to 110%	0	0.0%	3,339	100.0%
110% to 120%	0	0.0%	3,339	100.0%
120% to 130%	0	0.0%	3,339	100.0%
130% to 140%	0	0.0%	3,339	100.0%
140% to 150%	0	0.0%	3,339	100.0%

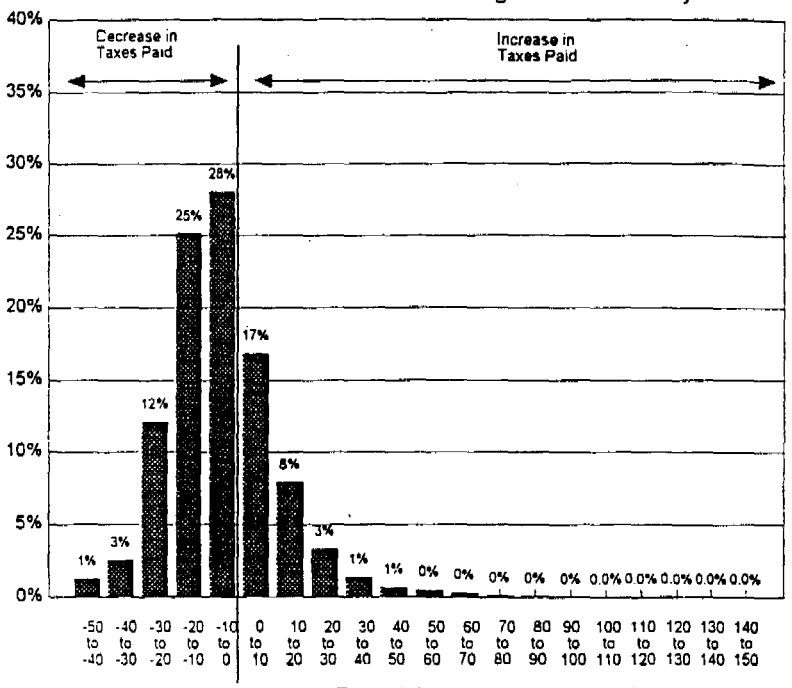
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 17% of the residential properties increased in taxes paid between 0 and 10 percent.

Roosevelt County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	111	4.8%	111	4.8%
-30% to -40%	295	12.8%	406	17.6%
-20% to -30%	543	23.6%	949	41.2%
-10% to -20%	477	20.7%	1,426	61.9%
0% to -10%	378	16.4%	1,804	78.3%
0% to 10%	225	9.8%	2,029	88.0%
10% to 20%	138	6.0%	2,167	94.0%
20% to 30%	69	3.0%	2,236	97.0%
30% to 40%	28	1.2%	2,264	98.2%
40% to 50%	15	0.7%	2,279	98.9%
50% to 60%	11	0.5%	2,290	99.3%
60% to 70%	7	0.3%	2,297	99.7%
70% to 80%	2	0.1%	2,299	99.7%
80% to 90%	6	0.3%	2,305	100.0%
90% to 100%	0	0.0%	2,305	100.0%
100% to 110%	0	0.0%	2,305	100.0%
110% to 120%	0	0.0%	2,305	100.0%
120% to 130%	0	0.0%	2,305	100.0%
130% to 140%	0	0.0%	2,305	100.0%
140% to 150%	0	0.0%	2,305	100.0%

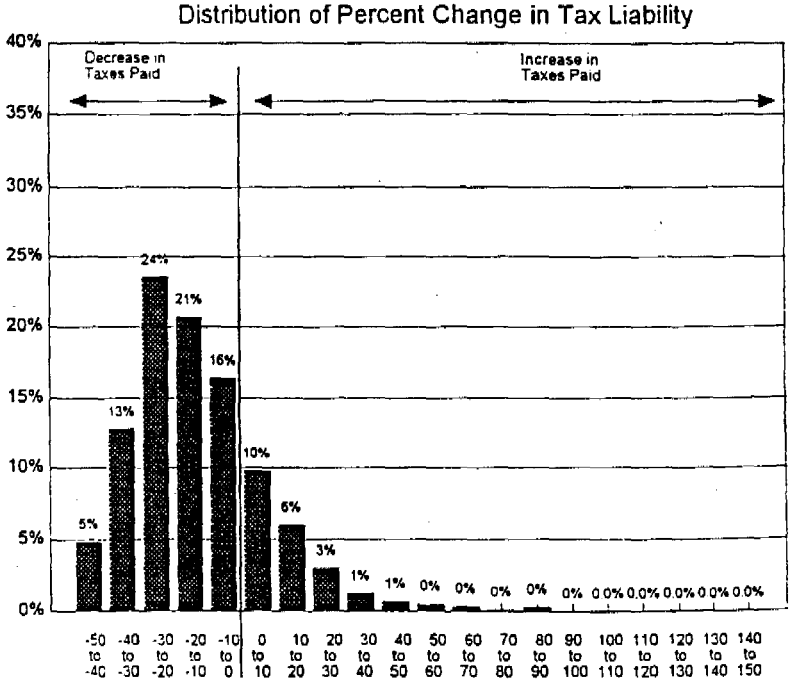
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 10% of the residential properties increased in taxes paid between 0 and 10 percent.

Rosebud County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	17	0.6%	17	0.6%
-30% to -40%	65	2.4%	82	3.0%
-20% to -30%	315	11.7%	397	14.7%
-10% to -20%	669	24.8%	1,066	39.5%
0% to -10%	575	21.3%	1,641	60.8%
0% to 10%	387	14.3%	2,028	75.2%
10% to 20%	293	10.9%	2,321	86.1%
20% to 30%	193	7.2%	2,514	93.2%
30% to 40%	97	3.6%	2,611	96.8%
40% to 50%	46	1.7%	2,657	98.5%
50% to 60%	25	0.9%	2,682	99.4%
60% to 70%	9	0.3%	2,691	99.8%
70% to 80%	6	0.2%	2,697	100.0%
80% to 90%	0	0.0%	2,697	100.0%
90% to 100%	0	0.0%	2,697	100.0%
100% to 110%	0	0.0%	2,697	100.0%
110% to 120%	0	0.0%	2,697	100.0%
120% to 130%	0	0.0%	2,697	100.0%
130% to 140%	0	0.0%	2,697	100.0%
140% to 150%	0	0.0%	2,697	100.0%

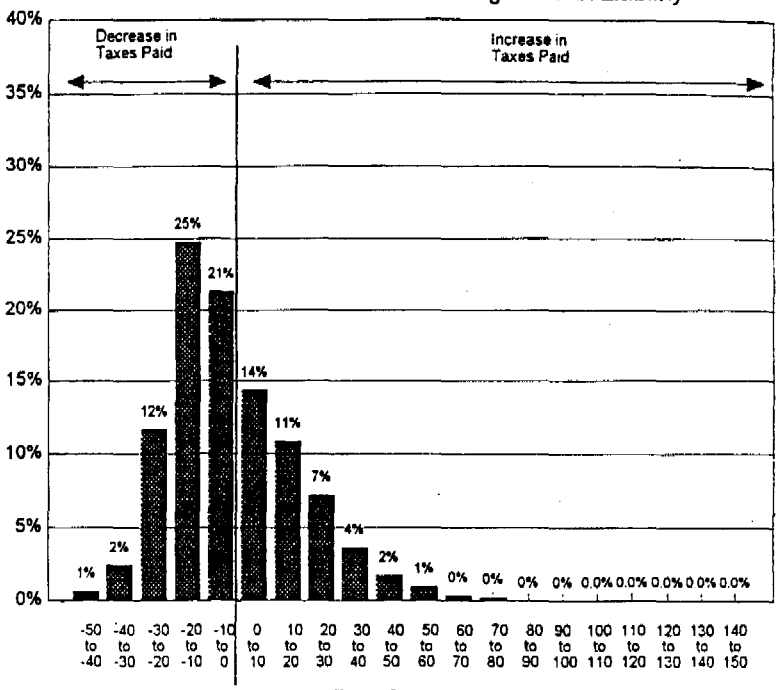
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 14% of the residential properties increased in taxes paid between 0 and 10 percent.

Sanders County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	11	0.3%	11	0.3%
-30% to -40%	34	1.1%	45	1.4%
-20% to -30%	91	2.8%	136	4.2%
-10% to -20%	223	6.9%	359	11.1%
0% to -10%	523	16.2%	882	27.3%
0% to 10%	661	20.5%	1,543	47.8%
10% to 20%	619	19.2%	2,162	67.0%
20% to 30%	482	14.9%	2,644	82.0%
30% to 40%	266	8.2%	2,910	90.2%
40% to 50%	162	5.0%	3,072	95.3%
50% to 60%	87	2.7%	3,159	98.0%
60% to 70%	44	1.4%	3,203	99.3%
70% to 80%	20	0.6%	3,223	99.9%
80% to 90%	2	0.1%	3,225	100.0%
90% to 100%	0	0.0%	3,225	100.0%
100% to 110%	0	0.0%	3,225	100.0%
110% to 120%	0	0.0%	3,225	100.0%
120% to 130%	0	0.0%	3,225	100.0%
130% to 140%	0	0.0%	3,225	100.0%
140% to 150%	0	0.0%	3,225	100.0%

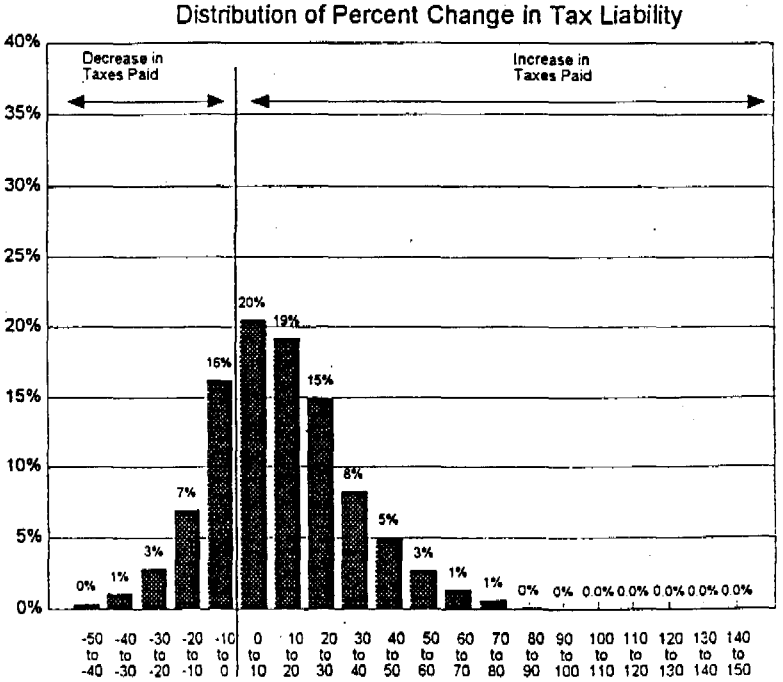
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 20% of the residential properties increased in taxes paid between 0 and 10 percent.

Sheridan County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	195	10.5%	195	10.5%
-30% to -40%	340	18.3%	535	28.8%
-20% to -30%	274	14.8%	809	43.6%
-10% to -20%	177	9.5%	986	53.2%
0% to -10%	291	15.7%	1,277	68.8%
0% to 10%	238	12.8%	1,515	81.7%
10% to 20%	152	8.2%	1,667	89.9%
20% to 30%	83	4.5%	1,750	94.3%
30% to 40%	40	2.2%	1,790	96.5%
40% to 50%	27	1.5%	1,817	98.0%
50% to 60%	18	1.0%	1,835	98.9%
60% to 70%	5	0.3%	1,840	99.2%
70% to 80%	4	0.2%	1,844	99.4%
80% to 90%	7	0.4%	1,851	99.8%
90% to 100%	4	0.2%	1,855	100.0%
100% to 110%	0	0.0%	1,855	100.0%
110% to 120%	0	0.0%	1,855	100.0%
120% to 130%	0	0.0%	1,855	100.0%
130% to 140%	0	0.0%	1,855	100.0%
140% to 150%	0	0.0%	1,855	100.0%

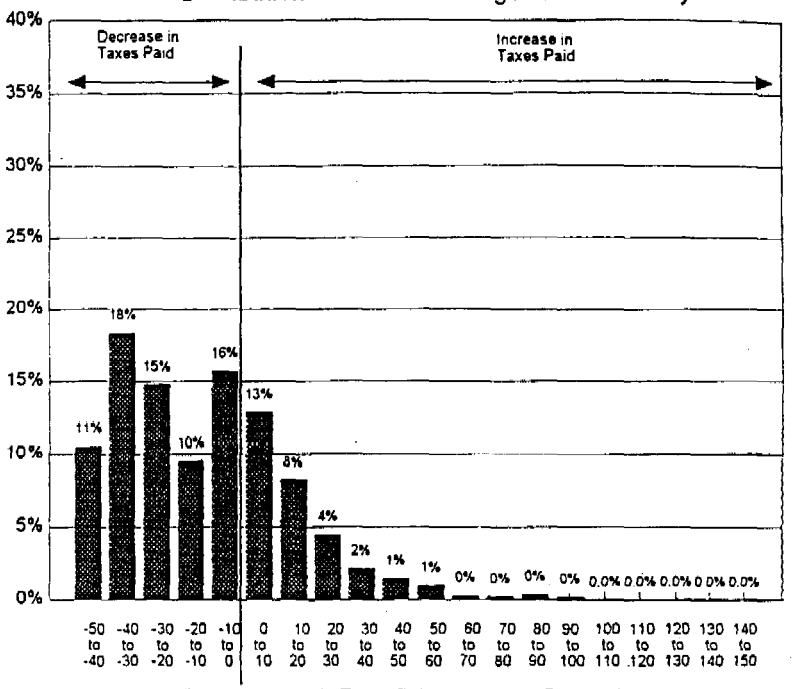
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 13% of the residential properties increased in taxes paid between 0 and 10 percent.

Silver Bow County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	84	0.7%	84	0.7%
-30% to -40%	237	2.0%	321	2.8%
-20% to -30%	810	7.0%	1,131	9.8%
-10% to -20%	1,583	13.7%	2,714	23.5%
0% to -10%	2,631	22.7%	5,345	46.2%
0% to 10%	2,502	21.6%	7,847	67.8%
10% to 20%	1,831	15.8%	9,678	83.7%
20% to 30%	884	7.6%	10,562	91.3%
30% to 40%	461	4.0%	11,023	95.3%
40% to 50%	283	2.4%	11,306	97.7%
50% to 60%	144	1.2%	11,450	99.0%
60% to 70%	81	0.7%	11,531	99.7%
70% to 80%	37	0.3%	11,568	100.0%
80% to 90%	1	0.0%	11,569	100.0%
90% to 100%	0	0.0%	11,569	100.0%
100% to 110%	0	0.0%	11,569	100.0%
110% to 120%	0	0.0%	11,569	100.0%
120% to 130%	0	0.0%	11,569	100.0%
130% to 140%	0	0.0%	11,569	100.0%
140% to 150%	0	0.0%	11,569	100.0%

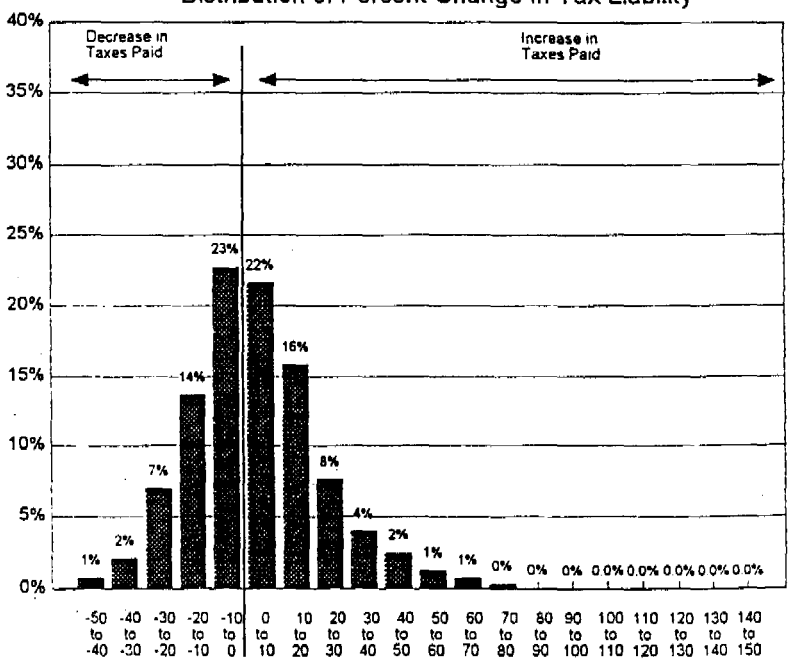
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 22% of the residential properties increased in taxes paid between 0 and 10 percent.

Stillwater County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	2	0.1%	2	0.1%
-30% to -40%	11	0.4%	13	0.4%
-20% to -30%	54	1.8%	67	2.2%
-10% to -20%	124	4.1%	191	6.3%
0% to -10%	456	15.0%	647	21.3%
0% to 10%	964	31.8%	1,611	53.1%
10% to 20%	778	25.6%	2,389	78.7%
20% to 30%	312	10.3%	2,701	89.0%
30% to 40%	172	5.7%	2,873	94.6%
40% to 50%	73	2.4%	2,946	97.0%
50% to 60%	49	1.6%	2,995	98.6%
60% to 70%	28	0.9%	3,023	99.6%
70% to 80%	10	0.3%	3,033	99.9%
80% to 90%	3	0.1%	3,036	100.0%
90% to 100%	0	0.0%	3,036	100.0%
100% to 110%	0	0.0%	3,036	100.0%
110% to 120%	0	0.0%	3,036	100.0%
120% to 130%	0	0.0%	3,036	100.0%
130% to 140%	0	0.0%	3,036	100.0%
140% to 150%	0	0.0%	3,036	100.0%

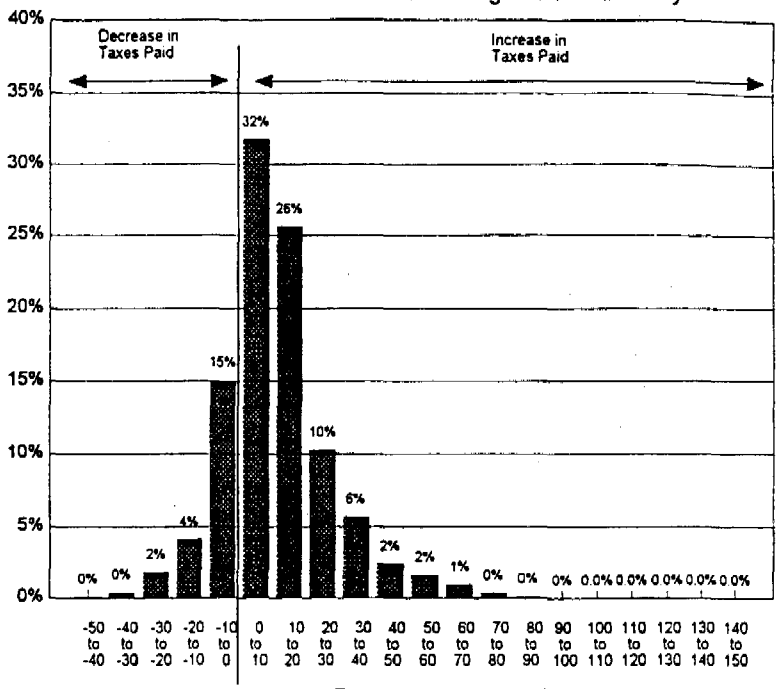
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 32% of the residential properties increased in taxes paid between 0 and 10 percent.

Sweet Grass County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	3	0.2%	3	0.2%
-30% to -40%	7	0.5%	10	0.8%
-20% to -30%	16	1.2%	26	2.0%
-10% to -20%	36	2.8%	62	4.8%
0% to -10%	72	5.5%	134	10.3%
0% to 10%	148	11.4%	282	21.7%
10% to 20%	291	22.4%	573	44.0%
20% to 30%	287	22.1%	860	66.1%
30% to 40%	221	17.0%	1,081	83.1%
40% to 50%	129	9.9%	1,210	93.0%
50% to 60%	60	4.6%	1,270	97.6%
60% to 70%	30	2.3%	1,300	99.9%
70% to 80%	1	0.1%	1,301	100.0%
80% to 90%	0	0.0%	1,301	100.0%
90% to 100%	0	0.0%	1,301	100.0%
100% to 110%	0	0.0%	1,301	100.0%
110% to 120%	0	0.0%	1,301	100.0%
120% to 130%	0	0.0%	1,301	100.0%
130% to 140%	0	0.0%	1,301	100.0%
140% to 150%	0	0.0%	1,301	100.0%

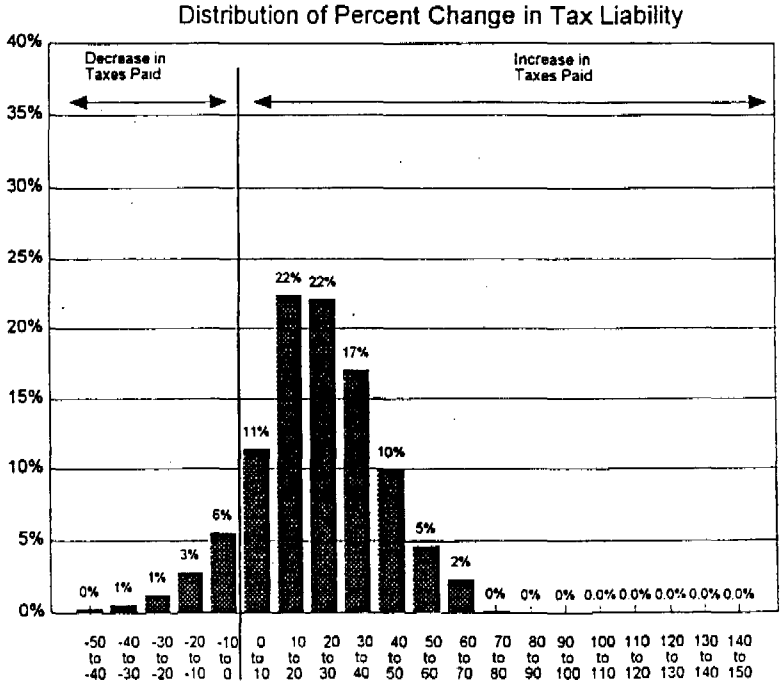
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 11% of the residential properties increased in taxes paid between 0 and 10 percent.

Teton County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	38	1.6%	38	1.6%
-30% to -40%	61	2.5%	99	4.1%
-20% to -30%	99	4.1%	198	8.2%
-10% to -20%	237	9.8%	435	18.1%
0% to -10%	388	16.1%	823	34.2%
0% to 10%	503	20.9%	1,326	55.1%
10% to 20%	412	17.1%	1,738	72.2%
20% to 30%	288	12.0%	2,026	84.2%
30% to 40%	173	7.2%	2,199	91.4%
40% to 50%	103	4.3%	2,302	95.6%
50% to 60%	67	2.8%	2,369	98.4%
60% to 70%	18	0.7%	2,387	99.2%
70% to 80%	20	0.8%	2,407	100.0%
80% to 90%	0	0.0%	2,407	100.0%
90% to 100%	0	0.0%	2,407	100.0%
100% to 110%	0	0.0%	2,407	100.0%
110% to 120%	0	0.0%	2,407	100.0%
120% to 130%	0	0.0%	2,407	100.0%
130% to 140%	0	0.0%	2,407	100.0%
140% to 150%	0	0.0%	2,407	100.0%

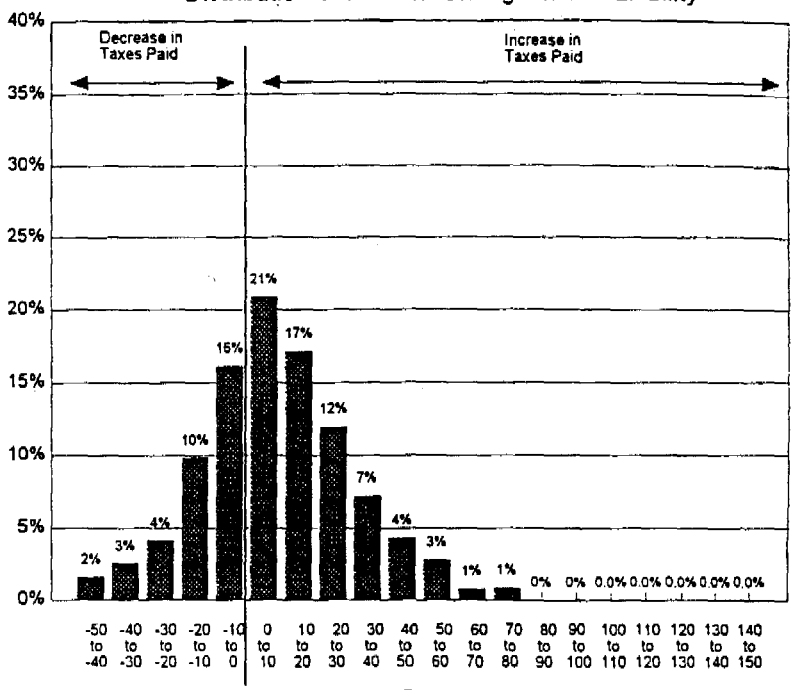
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 21% of the residential properties increased in taxes paid between 0 and 10 percent.

Toole County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	32	1.8%	32	1.8%
-30% to -40%	91	5.1%	123	6.9%
-20% to -30%	181	10.2%	304	17.1%
-10% to -20%	307	17.2%	611	34.3%
0% to -10%	364	20.4%	975	54.8%
0% to 10%	326	18.3%	1,301	73.1%
10% to 20%	188	10.6%	1,489	83.7%
20% to 30%	105	5.9%	1,594	89.6%
30% to 40%	63	3.5%	1,657	93.1%
40% to 50%	43	2.4%	1,700	95.5%
50% to 60%	33	1.9%	1,733	97.4%
60% to 70%	29	1.6%	1,762	99.0%
70% to 80%	16	0.9%	1,778	99.9%
80% to 90%	2	0.1%	1,780	100.0%
90% to 100%	0	0.0%	1,780	100.0%
100% to 110%	0	0.0%	1,780	100.0%
110% to 120%	0	0.0%	1,780	100.0%
120% to 130%	0	0.0%	1,780	100.0%
130% to 140%	0	0.0%	1,780	100.0%
140% to 150%	0	0.0%	1,780	100.0%

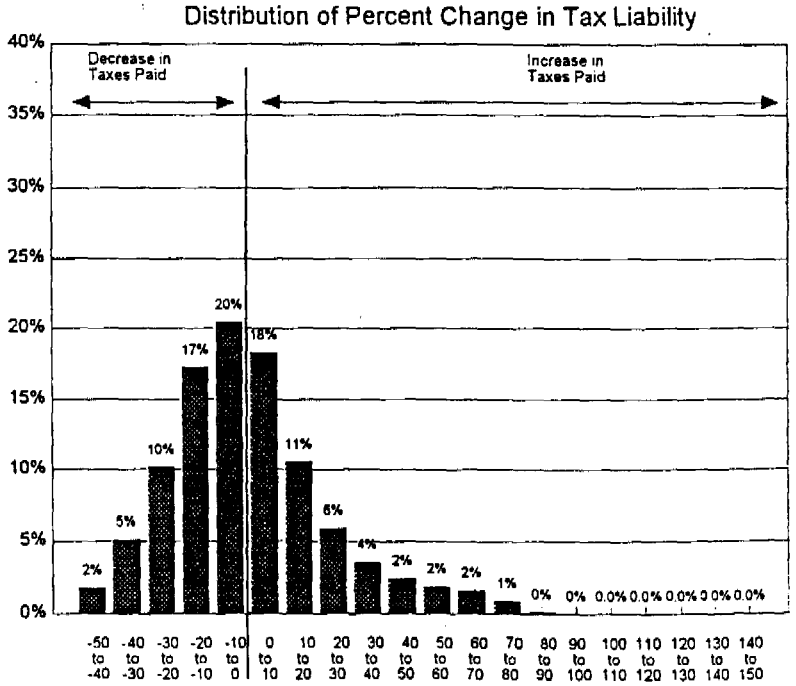
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 18% of the residential properties increased in taxes paid between 0 and 10 percent.

Treasure County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	4	1.1%	4	1.1%
-30% to -40%	17	4.7%	21	5.8%
-20% to -30%	34	9.4%	55	15.3%
-10% to -20%	86	23.9%	141	39.2%
0% to -10%	63	17.5%	204	56.7%
0% to 10%	43	11.9%	247	68.6%
10% to 20%	35	9.7%	282	78.3%
20% to 30%	23	6.4%	305	84.7%
30% to 40%	21	5.8%	326	90.6%
40% to 50%	14	3.9%	340	94.4%
50% to 60%	7	1.9%	347	96.4%
60% to 70%	6	1.7%	353	98.1%
70% to 80%	6	1.7%	359	99.7%
80% to 90%	1	0.3%	360	100.0%
90% to 100%	0	0.0%	360	100.0%
100% to 110%	0	0.0%	360	100.0%
110% to 120%	0	0.0%	360	100.0%
120% to 130%	0	0.0%	360	100.0%
130% to 140%	0	0.0%	360	100.0%
140% to 150%	0	0.0%	360	100.0%

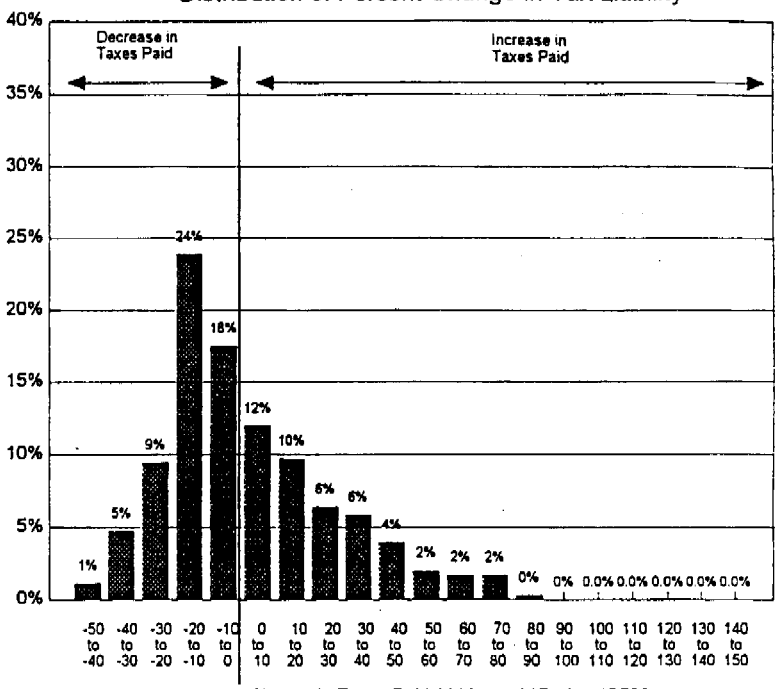
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 12% of the residential properties increased in taxes paid between 0 and 10 percent.

Valley County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	61	1.7%	61	1.7%
-30% to -40%	148	4.1%	209	5.8%
-20% to -30%	535	14.9%	744	20.8%
-10% to -20%	720	20.1%	1,464	40.9%
0% to -10%	755	21.1%	2,219	61.9%
0% to 10%	529	14.8%	2,748	76.7%
10% to 20%	326	9.1%	3,074	85.8%
20% to 30%	179	5.0%	3,253	90.8%
30% to 40%	97	2.7%	3,350	93.5%
40% to 50%	75	2.1%	3,425	95.6%
50% to 60%	60	1.7%	3,485	97.3%
60% to 70%	28	0.8%	3,513	98.1%
70% to 80%	48	1.3%	3,561	99.4%
80% to 90%	21	0.6%	3,582	100.0%
90% to 100%	0	0.0%	3,582	100.0%
100% to 110%	0	0.0%	3,582	100.0%
110% to 120%	0	0.0%	3,582	100.0%
120% to 130%	0	0.0%	3,582	100.0%
130% to 140%	0	0.0%	3,582	100.0%
140% to 150%	0	0.0%	3,582	100.0%

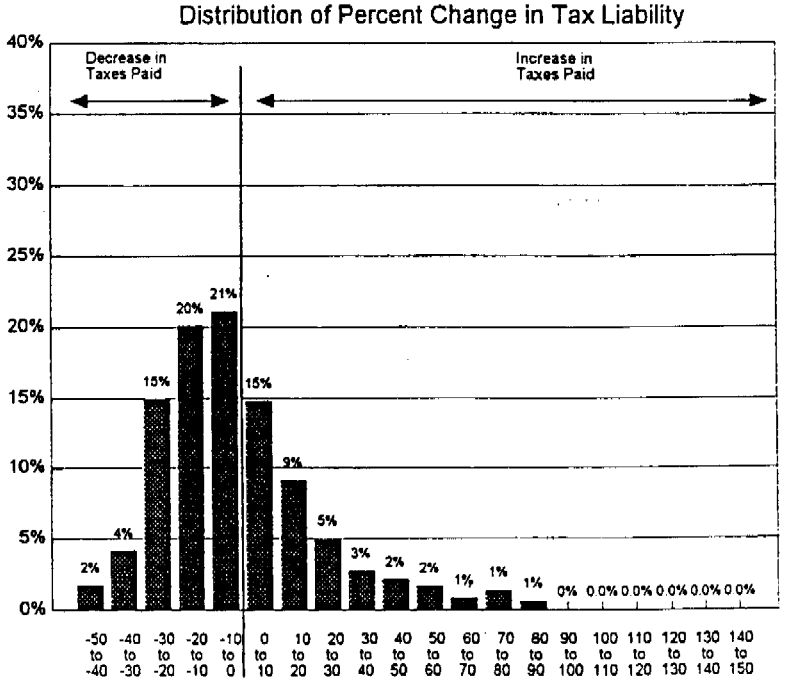
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 15% of the residential properties increased in taxes paid between 0 and 10 percent.

Wheatland County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	4	0.5%	4	0.5%
-30% to -40%	23	2.6%	27	3.1%
-20% to -30%	23	2.6%	50	5.7%
-10% to -20%	79	8.9%	129	14.6%
0% to -10%	149	16.9%	278	31.5%
0% to 10%	202	22.9%	480	54.4%
10% to 20%	167	18.9%	647	73.3%
20% to 30%	121	13.7%	768	87.0%
30% to 40%	62	7.0%	830	94.0%
40% to 50%	27	3.1%	857	97.1%
50% to 60%	17	1.9%	874	99.0%
60% to 70%	5	0.6%	879	99.5%
70% to 80%	4	0.5%	883	100.0%
80% to 90%	0	0.0%	883	100.0%
90% to 100%	0	0.0%	883	100.0%
100% to 110%	0	0.0%	883	100.0%
110% to 120%	0	0.0%	883	100.0%
120% to 130%	0	0.0%	883	100.0%
130% to 140%	0	0.0%	883	100.0%
140% to 150%	0	0.0%	883	100.0%

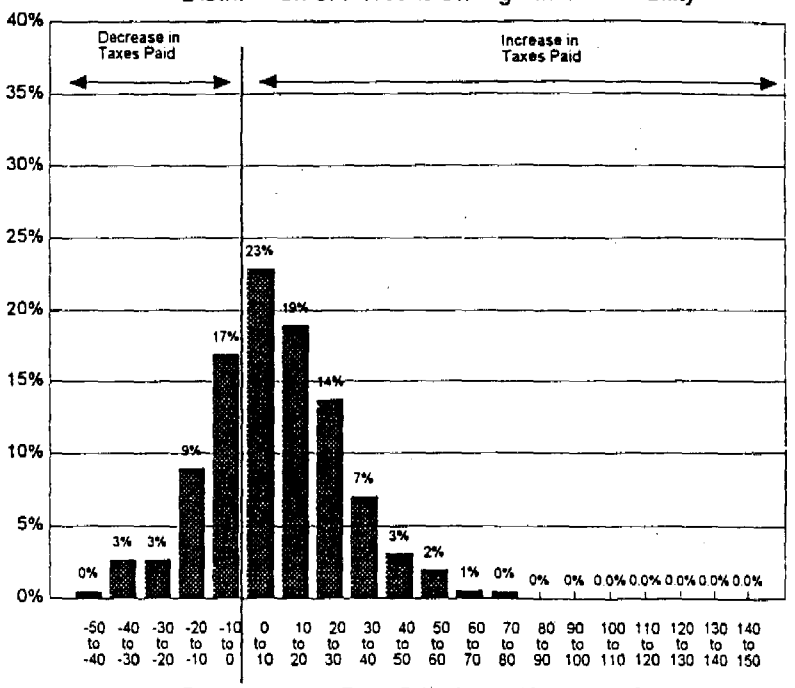
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 23% of the residential properties increased in taxes paid between 0 and 10 percent.

Wibaux County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	26	5.6%	26	5.6%
-30% to -40%	66	14.2%	92	19.8%
-20% to -30%	134	28.9%	226	48.7%
-10% to -20%	92	19.8%	318	68.5%
0% to -10%	55	11.9%	373	80.4%
0% to 10%	27	5.8%	400	86.2%
10% to 20%	24	5.2%	424	91.4%
20% to 30%	14	3.0%	438	94.4%
30% to 40%	7	1.5%	445	95.9%
40% to 50%	7	1.5%	452	97.4%
50% to 60%	5	1.1%	457	98.5%
60% to 70%	5	1.1%	462	99.6%
70% to 80%	1	0.2%	463	99.8%
80% to 90%	1	0.2%	464	100.0%
90% to 100%	0	0.0%	464	100.0%
100% to 110%	0	0.0%	464	100.0%
110% to 120%	0	0.0%	464	100.0%
120% to 130%	0	0.0%	464	100.0%
130% to 140%	0	0.0%	464	100.0%
140% to 150%	0	0.0%	464	100.0%

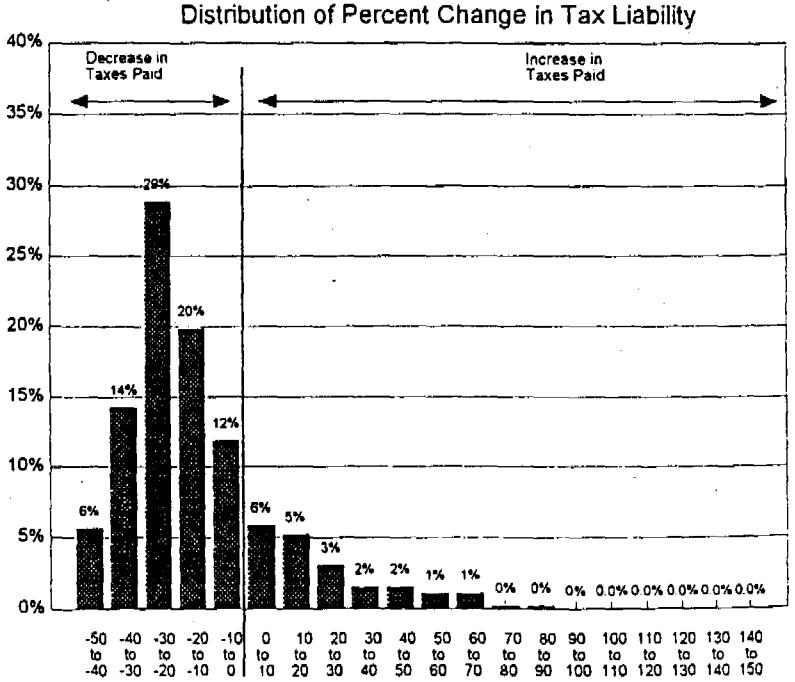
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 6% of the residential properties increased in taxes paid between 0 and 10 percent.

Yellowstone County

Impact of HB590

The table and chart display the impact of HB590 (reduction in rates for classes 3, 4, and 10) The analysis does not include vacant lots.

Percent of Change Bracket	Number in Bracket	Percent in Bracket	Cumulative Number	Cumulative Percent
-40% to -50%	31	0.1%	31	0.1%
-30% to -40%	136	0.4%	167	0.4%
-20% to -30%	830	2.2%	997	2.6%
-10% to -20%	3,658	9.5%	4,655	12.1%
0% to -10%	11,227	29.2%	15,882	41.3%
0% to 10%	12,915	33.6%	28,797	74.8%
10% to 20%	5,453	14.2%	34,250	89.0%
20% to 30%	2,042	5.3%	36,292	94.3%
30% to 40%	1,053	2.7%	37,345	97.1%
40% to 50%	611	1.6%	37,956	98.6%
50% to 60%	257	0.7%	38,213	99.3%
60% to 70%	145	0.4%	38,358	99.7%
70% to 80%	101	0.3%	38,459	99.9%
80% to 90%	21	0.1%	38,480	100.0%
90% to 100%	0	0.0%	38,480	100.0%
100% to 110%	0	0.0%	38,480	100.0%
110% to 120%	0	0.0%	38,480	100.0%
120% to 130%	0	0.0%	38,480	100.0%
130% to 140%	0	0.0%	38,480	100.0%
140% to 150%	0	0.0%	38,480	100.0%

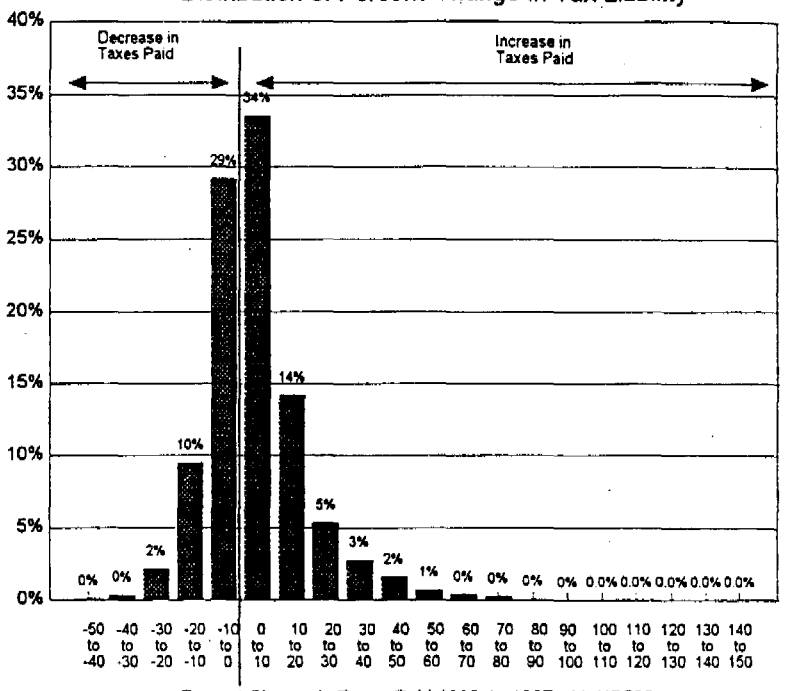
The change in taxes paid represents the impact of reappraisal combined with HB590 rate reductions.

Class Four Residential - Change in Property Taxes Paid

Percent Change in Tax Liability

Class 3 at 3.645%, Class 4 at 2.78%, and Class 10 at 0.35%

Distribution of Percent Change in Tax Liability



Percent Change in Taxes Paid 1996 to 1997 with HB590

For example, 34% of the residential properties increased in taxes paid between 0 and 10 percent

#4 option 1

SFIRE Conference Com.
EXHIBIT NO. 6
DATE 4-16-97 6:30 p.m.
BILL NO. SB 195

"**Section 1.** Section 7-6-2514, MCA, is amended to read:

"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

Section 2. Section 15-10-401, MCA, is amended to read:

"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~ (2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 3. Section 15-10-402, MCA, is amended to read:

"**15-10-402. Property tax limited to ~~1986~~ 1996 levels.** ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~

~~indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 4. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36,

part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property ~~in each class~~ as a result of:

(a) a revaluation caused by~~:~~

~~(i)~~ construction, expansion, replacement, or remodeling of improvements that adds value to the property; ~~or~~

~~(ii) cyclical reappraisal;~~

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~ (5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in

the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~,~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~(7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to

adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~ (ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) if the amount of the levy is for a tax increase of 5% or less and is for a period of 6 years of less, the levy may be adopted by a majority of the electors voting on the issue;

(ii) if the amount of the levy is for a tax increase of more than 5% or is for a period of more than 6 years:

(A) determine the total number of qualified electors who voted in that taxing unit in the last statewide general election;

(B) when the number of electors voting in the levy election is equal to or greater than 40% of the number calculated in subsection (8)(b)(ii)(A), the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(C) when number of electors voting in the levy election is more than 30% but less than 40% of the number calculated in subsection (8)(b)(ii)(A), the levy is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(D) when the number of electors voting in the levy election is 30% or less of the number calculated in subsection (8)(b)(ii)(A), the proposition is rejected.

(c) The election provisions of this section do not apply to school levy elections.

~~(11)~~ (9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 5. Section 15-36-323, MCA, is amended to read:

"**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412~~(10)~~(8), for which additional mills were levied in fiscal year 1990."

NEW SECTION. **Section 6. Repealer.** Section 15-10-411, MCA, is repealed.

4

MONTANA LEAGUE OF CITIES AND TOWNS

P.O. BOX 1704 -- HELENA, MT 59624

406-442-8768

Free Conference Com
EXHIBIT NO. 1
DATE 4-16-97 6:30
BILL NO. SB 195

April 14, 1997

MEMORANDUM

Effects of a 5% Property Tax Increase
Random Cities and Towns

Municipality	1997 property tax	x5%	prospective tax
Kalispell	$2,184,192	$109,209	$2,293,401
Helena	3,282,186	164,109	3,446,296
Havre	1,132,415	56,620	1,189,036
Billings	10,677,241	533,582	11.211,103
Sidney	500,393	25,019	525,412
Culbertson	52,670	2,633	55,304

ROLL CALL

FREE CONFERENCE or CONFERENCE COMMITTEE

ON BILL NO. 195

DATE 4/16/97 4:30 p.m

NAME	PRESENT	ABSENT	EXCUSED
Sen. J. Harp	X		
Sen B. Crippen	X		
Sen. M. Halligan	X		
Rep. C. Hilbard	X		
Rep. D. Harrington	X		
Rep. B. Story	X		

CCROLL.F18

DATE 4/16/97 6:30 A.m.

SENATE COMMITTEE ON Free Conference

BILLS BEING HEARD TODAY: SB 195

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Oppose
Gloria Peladichuk	Richland Development			

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 16, 1997, at 4:49 p.m., in Room 325.

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

CHAIRMAN JOHN HARP said there are two issues that still needs to be covered. The millage for county government and the election issues pertaining to local taxing units.

REP. CHASE HIBBARD said the two percent valuation increase coupled with the ratcheting down of the rate, plus the fact that they took out the affects of cyclical reappraisal really does not leave much left. He said a mill reduction for those counties that are above average is not appropriate.

Motion/Vote:

REP. HIBBARD MOVED TO STRIKE THE COUNTY WIDE MILLAGE PROVISION. MOTION CARRIED UNANIMOUSLY.

Discussion:

Greg Petesch, Legislative Services Division, handed out amendments and discussed them **(EXHIBIT 1).**

CHAIRMAN HARP discussed the amendments **(EXHIBIT 1).**

REP. DAN HARRINGTON said the cities and counties are being treated unfairly by this amendment because the voting standards are too harsh.

SENATOR MIKE HALLIGAN asked why was it necessary to use the qualified elector language, this seems like an impossible task for local governments. He didn't think it would ever be possible to pass an election using the qualified elector language. **Alec Hansen, MT League of Cities and Towns,** said 40 percent of the qualified electors is a very high standard especially for cities and towns. These elections are held in odd numbered years and the percentages are generally below 40 percent. To set the standard that high there would almost have to be a catastrophic circumstance to bring those people out. The committee might want to adjust the percentage for cities and towns. The registration of voters keeps going up, but the participation keep going down. A year ago they had a statewide primary election and the percentage turnout was only 40.9 percent. There were 334,000 people who didn't vote that were registered.

CHAIRMAN HARP said this amendment has no time constraint or capping amount and if there was a need in that community couldn't they coincide with general elections on an even year or have mail in ballots. **Alec Hansen** said cities can participate in general elections, but they have to pay extra. Special elections in most cities and towns are about one percent of the total amount of taxes collected in that year. There is another problem in that the city and precinct boundaries don't always coincide. The way this is set up now, it will cause taxes to increase because people will wait and wait till they have no alternative and they will have to persuade the voter to vote for increased taxes or the city will be dis-incorporated. There will be no predictability in taxes or uniformity.

Gordon Morris, MT Assoc. of Counties, said the question they need to ask themselves is if there has been a problem with I-105 votes in the past. He said there hasn't been any problems with I-105 elections. This is a dis-incentive to voting and anybody who doesn't vote is actually voting in opposition. This is not the democratic process.

SENATOR BRUCE CRIPPEN said if they give the authority to cities and counties to go out and ask the people to increase their taxes by a way of a vote, it can be in this method or a relaxed standard. There was the comment that the taxes would increase and people will wait till there is a panic situation. There is going to be no cap or time limit. If the voting standards were lowered there could be the possibility for a large number of elections going on in the state. What is the amount of additional taxes that are going to be levied on the property taxpayers because of this? **Alec Hansen** said with the very high standard and the no limit there will be very radical results. If the city goes to the voters and asks them for this much money to keep their government running, then there will be an election and the people that show

up can vote for it or they can vote against it. But the other situation that might arise with these standards is people are going to say they don't think they can get a 40 percent turnout and this problem is not serious enough, so they wait till it is catastrophic.

SENATOR CRIPPEN asked if they lowered this down to where it was more reasonable for cities and towns would it encourage a substantial number of cities to go out and ask the taxpayers to increase taxes upon themselves? A minority of the people will b able to place those taxes on everybody if the standards are lowered. **Alec Hansen** said he didn't think there would be an influx of elections.

SENATOR CRIPPEN said if this bill passes and they have more stringent election standards won't there be a higher number of elections happening to take advantage of this. **Alec Hansen** said not in the first two years.

SENATOR CRIPPEN asked the same question to the counties. **Gordon Morris** said if SB 195 passed with the language that is in I-105 right now that calls for a special election with a simple majority there will not be an increase in elections. In the history of I-105, in 1996, there were seven I-105 elections across the state. Under this bill, those counties that would be moved to have an I-105 election out of necessity would be those counties who's 1996 cap have lost the 1986 opportunity because the mill values have dropped. Those counties might look at an election as being an alternative. He said Powder River County i below its I- 105 cap when they take a look at the taxable value back in 1986 versus the value in 1997. Wibaux and Richland Counties are in the same boat and they might have to resort to a vote.

SENATOR CRIPPEN said he has a hard time believing that if this piece of legislation is in here that there won't be a run to the bank. If a county has been starved for the past 10 years this will give them an opportunity to have an election without showir an emergency. The county is not out anything if they try this through an election. **Gordon Morris** said County Commissioners don't like raising taxes. There is not going to be a stampede to put this question of raising taxes on the ballot.

{Tape: 1; Side: B; Approx. Time Count: 5:14 p.m.; Comments: .}

Alec Hansen said he would like to make the same point. Cities ar towns don't like taxes anymore than this legislature. If the cities and towns had their own control there wouldn't be any I-105 or property tax crisis. These people are elected just like they are at the legislature.

SENATOR CRIPPEN asked if the cities and towns had their choice would they rather just have I-105 where it is with the automatic two percent increase. **Alec Hansen** said he would rather have the

language that is in I-105 today than this amendment. **Gordon Morris** said they are better off with the emergency language in I-105. He said County Commissioners represent as many or more people on a daily basis than the State Legislature does.

SENATOR CRIPPEN said these people are responsible and this needs to be considered by the committee. He is concerned if they are going to have an influx of elections they would be better off not to have that ability and give them the automatic increase. To give them the automatic two percent increase will give counties $1,869,542 over a two year period and almost $1 Million to the cities and towns. If this is spread out over the cities and counties they won't get much. The taxpayers will get stuck less with that than they will with a vote.

Gloria Paladichuk, Richland Co., said their county has a different scenario regarding the emergency section in I-105. She said when the Sidney School system put out a request to the voters for an emergency levy, one large manufacturing firm, when they got their tax bill, protested and filed suit in district court saying it was not an emergency. They won and thousands of dollars had to be refunded to that manufacturing company.

SENATOR HALLIGAN said if they divide the numbers that **SENATOR CRIPPEN** gave by 890,000, how much is that per capita each year that they have coming out of the taxpayer's pocket. **SENATOR CRIPPEN** said they can't divide it out according to population because it is on an average. But if it was calculated that way it would be less than one percent on an average.

REP. HIBBARD said he has voted against this in committee already this session. He said if it is important to cities and counties it can be sold to the voters and they will turnout and vote. If a need for an increase is justifiable that is what democracy is all about.

REP. STORY said he has never maintained that local governments were irresponsible in their use of tax dollars. It was the voters that put I-105 on in the first place and said they were tired of taxes.

REP. HARRINGTON said he would like to add an amendment that set up the homestead relief that was taken from HB 590. It is set up on the first $25,000 and reduces the rate to 3.32 percent and this will create a balance between the three classes. This will continue the system of cyclical reappraisal and keeps the present system intact of using market value and does allow for the reappraisal to take effect. He thought this would be a permanent solution to this problem.

Motion:

REP. HARRINGTON MOVED TO ADOPT THE HOMESTEAD RELIEF.

Discussion:

CHAIRMAN HARP said they are trying to treat all taxpayers fairly and equally and any time they start adjusting rates there is a shifting in classes and this will create winners and losers in this proposal.

SENATOR CRIPPEN said this is an interesting proposal but **REP. HARRINGTON** voted against a proposal like this once before called the sales tax.

SENATOR HALLIGAN said if they are trying to help all taxpayers, the homestead exemption tries to get taxpayer specific so those home owners that actually experience a tax increase would be able to claim that tax credit.

{Tape: 1; Side: A; Approx. Time Count: 5:30 p.m.; Comments: .}

REP. HARRINGTON passed out and discussed a sheet on the 101 mills **(EXHIBIT 2)**.

Vote:

MOTION TO ADOPT THE HOMESTEAD RELIEF PROVISION FAILED 2-4 WITH CHAIRMAN HARP, SENATOR CRIPPEN, REP. HIBBARD AND REP. STORY voting no.

Discussion:

Greg Petesch explained some back-up amendments that were proposed by **SENATOR HALLIGAN (EXHIBIT 3)**.

Motion:

SENATOR HALLIGAN MOVED TO ADOPT BACKUP AMENDMENTS IF SB 195 IS FOUND UNCONSTITUTIONAL.

Discussion:

SENATOR HALLIGAN said he realized the percentage reduction is not a final solution. But what it does do is provide a reasonable backup that they have used in the past. If they are going to put in a 10 to 13 year reappraisal cycle, the two percent phase-in, dismantle the Department of Revenue, and the interim committee doesn't do anything, this will help if this bill is found unconstitutional.

SENATOR CRIPPEN asked when would this take place. **SENATOR HALLIGAN** said it would only take place if the court found SB 195 unconstitutional.

SENATOR CRIPPEN said lets take for example that the court found SB 195 unconstitutional in the year 2001, what would happen at this point in time. **SENATOR HALLIGAN** said they would have to

decide if they should go back to the 1997 tax year. This is an issue in which they need a backup plan.

SENATOR CRIPPEN said they don't know when the court will rule on this or even if they will at all. This is a temporary solution and they need to assure the taxpayers that they are serious about this plan. They don't need a backup plan because then they look like they don't know what they are doing. Taxpayers want to keep their values from increasing and as a legislature this is the way to handle the problem.

CHAIRMAN HARP said it sends the wrong message.

REP. HIBBARD asked if this is just the rate for class 4. **SENATOR HALLIGAN** said it includes all three classes. **Greg Petesch** said it would apply the 2.78 percentage rate reduction of class 3 and 4. Class 10 is not addressed in this amendment.

REP. HIBBARD said every time they apply a rate reduction or a mill reduction it shifts burdens. What they are doing here is holding the taxpayer harmless and it is a bold step. He said they should stick with SB 195 and stay away from backup plans.

REP. HARRINGTON said they have passed off the fact that there is a problem with SB 195.

SENATOR HALLIGAN asked what the better of two evils was; having the 1996 reappraisals go into effect if this is found unconstitutional or do they want to minimize it. This amendment would encourage the interim committee to find a solution.

Vote:

MOTION TO ADOPT THE BACKUP AMENDMENTS IF SB 195 IS FOUND UNCONSTITUTIONAL FAILED 2-4 WITH CHAIRMAN HARP, SENATOR CRIPPEN, REP. STORY AND REP. HIBBARD voting no.

Discussion:

SENATOR HALLIGAN asked if there was any interest in allowing the phased-in portion of the reappraisal to have at least a tiny portion of the base. He said it allows for growth which might eliminate any election from happening **(EXHIBIT 4)**.

REP. HIBBARD asked if this would allow for the two percent to be used in determining the taxable value against mills that would be applied in succeeding years, but the dollars would still be ratcheting down through the rate? **Greg Petesch** said it doesn't affect the phase-in at two percent of the change or the ratcheting of the rate. He said currently there is an exception to I-105 for cyclical reappraisal so it does not prevent increases in total taxes levied in a unit as a result of cyclical reappraisal. Rather than striking that exception, this would add

the phased-in portion of cyclical reappraisal as an exception t the total taxes levied in the unit.

Judy Paynter, Department of Revenue explained a sheet on estimated property taxes on change in taxable value **(EXHIBIT 5)**

Finance Conference Com
EXHIBIT NO. 1
DATE 4/16/97 5:00
BILL NO. SB 195

Section 4. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception. Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1)(a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, or reclassification of property, then the taxing unit shall reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

~~(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation or in the actual tax liability on individual property in each class as a result of:~~

~~(a) a revaluation caused by:~~

~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or~~

~~(ii) cyclical reappraisal;~~

~~(b) transfer of property into a taxing unit;~~

~~(c) reclassification of property;~~

~~(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;~~

~~(e) annexation of the individual property into a new taxing unit; or~~

~~(f) conversion of the individual property from tax exempt to taxable status.~~

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~ (4) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(5) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (5)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~

1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (7).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~(6) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (6);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(7)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~ (ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of a levy authorized in subsection (7)(a) in the following manner:

(i) determine the total number of qualified electors of the taxing unit from the list of electors supplied by the county registrar for the election;

(ii) determine the total number of qualified electors who voted at the taxing unit election from the tally sheets for the election; and

(iii) calculate the percentage of qualified electors voting at the election by dividing the number determined in subsection (7)(b)(i) by the number determined in subsection (7)(b)(ii).

(c) When the calculated percentage in subsection (7)(b)(iii) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected.

~~(11)~~ (8) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (9) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (10) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (11) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue

to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

3

Free Conference Com
EXHIBIT NO. 2
DATE 4-16-97 5:00 p.m.
BILL NO. SB 195

04/15/97

Senate Bill 195

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Location	Value 1996	Value 1997	Value 1997 2% Phase-In	101 Mill 1996	101 Mills w/ Reappraisal	101 Mills @ 2% Phase-In	Difference Reappraisal - Phase-In
Big Timber	$53,763	$100,000	$54,688	$210	$389	$212	($177)
Columbus	$67,114	$100,000	$67,772	$262	$389	$263	($126)
Superior	$69,444	$100,000	$70,056	$271	$389	$272	($117)
Chinook	$93,458	$100,000	$93,589	$364	$389	$363	($26)
Circle	$103,093	$100,000	$103,031	$402	$389	$399	$10
Kalispell	$50,000	$100,000	$51,000	$205	$389	$209	($180)
Glasgow	$85,000	$100,000	$87,128	$334	$389	$338	($51)
					**********	**********	**********
					All based on a home valued @ $100,000	All based on a home valued @ $100,000	All based on a home valued @ $100,000

3

Free Conference Com.
EXHIBIT NO. 3
DATE 4-16-97 5:00pm
BILL NO. SB 195

NEW SECTION. **Section 1. Contingent provisions.** If the phasein of valuation provided for in 15-7-111 is declared invalid, then:

(1) [sections 1 through] are void;

(2) section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first ~~$100,000~~ $75,000 or less of the market value, after the application of the exemption under 15-6-201(1)(x), of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a), (1)(b), and (1)(e) is taxed at 3.86% of its market value.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ 3.32% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the

department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."; and

(3) section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land they occupy and furnishings in the buildings, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that is:

(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a

cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) property owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public museums, art galleries, zoos, and observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, the mentally ill, or the vocationally handicapped as defined in 18-5-101 and that is not operated for gain or profit and property owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

(q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) the first $15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(i) construct, repair, and maintain improvements to real property; or

(ii) repair and maintain machinery, equipment, appliances, or other personal property;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers and semitrailers that have a licensed gross weight of 26,000 pounds or more or that are registered through a proportional registration agreement under 61-3-721. For purposes of this subsection (v), the terms "trailer" and "semitrailer" mean a vehicle with or without motive power that is:

(i) designed and used only for carrying property;

(ii) designed and used to be drawn by a motor vehicle; and

(iii) either constructed so that no part of its weight rests upon the towing vehicle or constructed so that some part of its weight and the weight of its load rests upon or is carried by another vehicle.

(w) all vehicles registered under 61-3-456;

(x) the first 25% of the first $100,000 or less of market value of any residence.

(2) (a) For the purposes of subsection (1)(e), the term "institutions of purely public charity" includes any organization that meets the following requirements:

(i) The organization qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(ii) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy

generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure.""

5

Free Conference Com
EXHIBIT NO. 4
DATE 4-16-97 5:00pm
BILL NO. SB 195

Amendments #5

Section A. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception. Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1)(a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, reclassification of property, or the phase-in of valuation, then the taxing unit must reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) the phased-in portion of cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation of the taxing unit or in the actual tax liability on individual property

~~in each class~~ as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or

(ii) the phased in portion of cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~ (5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (6)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (8).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~ (7) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~ (8)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~ (i) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body of the taxing unit has considered;~~ and

~~(g)~~(ii) a statement of the need for the increased revenue and how it will be used.

(b) The taxing unit shall determine the approval or rejection of levy authorized in subsection (8(a) in the following manner:

(i) determine the total number of electors of the taxing unit who are qualified to vote from the list of electors supplied by the county registrar for the election;

(ii) determine the total number of qualified electors who voted at the taxing unit election from the tally sheet or sheets for the election;

(iii) calculate the percentage of qualified electors voting at the election by dividing the amount determined in subsection (8)(b)(i) by the amount determined in subsection (8)(b)(ii); and

(iv) when the calculated percentage in subsection (8)(b)(iii) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected; or

(v) when the calculated percentage in subsection (8)(b)(iii) is more than 30% but less than 40%, the proposition is considered approved and adopted if 60% or more of the votes are cast in favor of the proposition, otherwise it is considered rejected; or

(vi) when the calculated percentage in subsection (8)(b)(iii) is 30% or less, the proposition is rejected.

~~(11)~~(9) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~(10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does

not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~(11) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~(12) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

4

Free Conference Com.
EXHIBIT NO. 5
DATE 4-16-97 5:00pm
BILL NO. SB 195

Estimated Property Taxes on Change in Taxable Value Given a 2% Phase-in and Rate of 3.8380%

Change in Taxable Value	
Class 4	1,790,940
Class 3	(625,405)
Total	1,165,535

Total Change in Taxable Value		1,165,535
Statewide Average Mill Levy (Classes 3 and 4, TY 1996)	x	402.06
Estimated Tax Liability	=	$468,615

Percent of Total Tax Liability (Tax Year 1996)	
Estimated Tax Liability	$468,615
Total StatewideTax Liability (Tax year 1996, does not include taxes paid to special districts or to miscellaneous districts)	$721,298,432

468,615 / 721,298,432 = 0.065%

Compiled by the office of research and information, MDOR Apr 16, 1997
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ROLL CALL

FREE CONFERENCE or CONFERENCE COMMITTEE

ON BILL NO. SB195

DATE 4/16/97 5:00 p.m.

NAME	PRESENT	ABSENT	EXCUSED
Sen. John Harp	X		
Sen. Bruce Crippen	X		
Sen. Mike Halligan	X		
Rep. Chase Hibbard	X		
Rep. Dan Harrington	X		
Rep. Bob Story	X		

CCROLL.F18

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 17, 1997, at 8:06 a.m., in Room 325.

ROLL CALL

Members Present:
Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

CHAIRMAN JOHN HARP explained the amendments on SB 195 **(EXHIBIT 1)**.

Greg Petesch, Legislative Services Division, explained amendment H **(EXHIBIT 2)**.

CHAIRMAN HARP said before they can get to this condition for a taxing unit they have to first phase-in and ratchet and if they are above the average then they will allow for the phasing-in of the cyclical reappraisal in that taxing unit. **Greg Petesch** stated that was true.

SENATOR MIKE HALLIGAN asked why this only applied to those that were above the average. **Greg Petesch** said it will apply to everyone, but it will only affect those who are above average because of the ratcheting rate.

Dave Woodgerd, Department of Revenue, said the .065 percent will be the rate that will come through. He said administratively, they would prefer the phase-in was put in, because it is such a small amount to try and keep track of those differences.

Dennis Burr, Taxpayer Assoc. said he thinks reappraisal should not be an exception to I 105. By inserting the language of the

phase-in amount of cyclical reappraisal, it would be the same as not striking cyclical reappraisal at all because that is all that will be going in over the next two years. The department still has to keep track of new construction so they can give a certified mill levy to local governments. The certified mill levy would be needed to not raise taxes other than taxes on construction. It makes sense to strike reappraisal.

REP. CHASE HIBBARD said they are going to start with the two percent phase in, then ratchet down the rate and some taxing units will still have an increase because of the statewide average provision. With the cyclical reappraisal language stricken from I-105 those units that do have an increase after the ratcheting down would not be able to realize that increase. With amendment H they would be able to realize that increase after the rate reduction.

REP. BOB STORY said he would oppose amendment H because even though it says phase in, they may eventually be back to where the phased-in portion is 100 percent of the reappraisal.

SENATOR HALLIGAN said he would like to know what the administrative cost would be. **Judy Paynter, Department of Revenue,** said under the current system they do not know the difference between new construction and reappraisal. She said previously there was not a great need to separate these two out to make a difference in taxable value. If this is struck, then it says they have to devise a way to know how much the change in taxable value is going to reappraisal and how much for new construction. Their system is not set up to do this. She said right now they have it estimated by county and it is the average growth each year in class 4.

SENATOR BRUCE CRIPPEN asked why can't these fancy computers figure out new construction? **Judy Paynter** said this wasn't an issue when the system was first designed. If counties could use construction in their budget then they could also use reappraisal in their budget. It wasn't an issue to separate these out because they could use both in their budget.

CHAIRMAN HARP said cyclical reappraisal has already been stricken and there is no problem with that. **Dennis Burr** said that was correct and the department should have to separate out new construction and reappraisal because of other statutes.

CHAIRMAN HARP asked how the Department of Revenue was able to come up with figures for new construction costs and reappraisal. **Judy Paynter** said what they did was look at the average growth that had occurred in class 4 over the past three years. There was no sophisticated manner in doing that. The problem is the computer is not big enough to carry two values.

Mick Robinson, Governor's Office, said the striking of cyclical reappraisal would reduce the mills. If new revenue is there, they

have to reduce a mill to get rid of that. If they don't put i the phase-in portion, they are requiring that mills will have be reduced to get rid of that tax revenue.

Motion/Vote:

SENATOR HALLIGAN MOVED TO ADOPT AMENDMENT H. MOTION FAILED 3-3 WITH CHAIRMAN HARP, REP. HIBBARD, AND REP. STORY voting no.

{Tape: 1; Side: A; Approx. Time Count: 8:24 a.m.; Comments: .}

Discussion:

CHAIRMAN HARP discussed the vote amendment **(EXHIBIT 3)**. He sai they have discussed the voting issue very much and they have c up with an option. Local governments can continue using the provision of the emergency language in I-105 or they can have 40 percent turnout vote.

Motion:

CHAIRMAN HARP MOVED TO ADOPT THE VOTE AMENDMENT (EXHIBIT 3).

Discussion:

SENATOR CRIPPEN said he does not share the same concern of increased property taxes for cities and counties because there isn't any. He said on an annual basis it would be less than a Million the first year and $2 Million the second year across t state with the phase in. This is less than a one percent incre on taxes for each taxpayer. The phase-in is predictable and th only way they will have a significant tax increase is if they vote to raise it themselves. He said he is confident that the cities and counties have done a good job in managing the money now. He said he would have rather left the provisions of I-105 there and given them the phase in.

REP. HIBBARD said by taking the emergency provision out of I-1 they thought they were making it easier for taxing units to go out to the voting public with an increased proposal and meet their needs. However there was serious objection to the 40 percent voter requirement so this is a nice compromise.

SENATOR HALLIGAN said they are relying on statistics for everything else they are doing in this bill. But when local governments provide the statistics that they are not the proble they ignore them. If they put the 40 percent requirement in, t reward the people who don't vote. This is not a compromise, all session they have been saying let the cities and counties have some local control and this is not doing that.

REP. HARRINGTON said any time they move to a super-majority, t are rewarding people who don't go to the polls.

CHAIRMAN HARP asked how often the emergency provision of I-10 had been used. **Alec Hansen, MT League of Cities and Towns,** s it hasn't been used more than three of four times in the past years.

SENATOR CRIPPEN asked why? **Alec Hansen** said cities and towns this provision as a desperate solution. He said there will be more in the future, because there has been no growth in the t base.

CHAIRMAN HARP said it was disappointing that schools were excluded from I-105 in 1989. Had they not been excluded they probably would not be here today because it would of forced t state into tax reform. But when they were excluded, it allowe them to rely on property taxes. **Alec Hansen** said the whole in of I-105 was to force property tax reform.

CHAIRMAN HARP asked what the budgets for cities have been. **Al Hansen** said property taxes represented about half of the reve in the General Fund budget. Gambling revenues have increasing become a more important part of the financial picture. Fees a also becoming a bigger part of the revenue package. If this Legislature wants people to vote on taxes, then give them som other things to vote for and it could be very positive.

CHAIRMAN HARP asked if cities have been frozen since 1986 or they have actually grown? **Alec Hansen** said they have grown, b it has been below inflation and the biggest area of growth ha been in gambling.

Gordon Morris, MT Assoc. of Counties, said since 1995 there h been seven I-105 elections. Since 1987, they have had approximately 15 to 20 I-105 elections. Those elections have primarily in those counties that have lost significant taxabl value. He said one of the contrasts between cities and counti is the fact that counties are 75 percent more reliant on prop taxes than cities. This bill will target those counties that below their 1986 I-105 cap. They will be frozen at the 1996 values without any room to move out of that except by a vote.

SENATOR CRIPPEN said the burden of the increase cost of government will fall on the homeowner, the small business per and the people who go into a gambling establishment and lose. doing this there will be no growth, no government, and no responsibility. The thing that will save this is the interim committee who will study this more indept.

Vote:

MOTION TO ADOPT THE VOTE AMENDMENTS (EXHIBIT 3) PASSED 4-2 WI SENATOR HALLIGAN AND REP. HARRINGTON voting no.

{Tape: 1; Side: A; Approx. Time Count: 8:47 a.m.; Comments: Committee took a 10 minute break and reconvened at 9:03 a.m..

Discussion:

Greg Petesch explained amendments to SB 195 **(EXHIBIT 1)**. He sa these amendments are drafted so it is a substitute bill. The title has been amended and everything struck in SB 195 and the amendments will be the bill.

Motion/Vote:

REP. HIBBARD MOVED TO INCLUDE IN SECTION 4 THE CHANGE IN VALUATION FROM THE 1996 BASE YEAR FOR EACH PROPERTY IN CLASSES 4 AND 10, MUST BE PHASED-IN EACH YEAR AT THE RATE OF TWO PERCE OF THE TOTAL CHANGE IN VALUATION. MOTION CARRIED UNANIMOUSLY.

Discussion:

Greg Petesch continued to explain section 4 of the amendments **(EXHIBIT 1)**.

REP. STORY said in the future he would like to extend the reappraisal cycle from three years to a longer term.

Greg Petesch explained sections 5,6, and 7 of the amendments. **(EXHIBIT 1)**.

REP. HARRINGTON discussed sub-section 4, on page 7. He asked i this is in compliance with the Albright Decision. **Greg Petesch** said the intent is to make certain that they clarify what the are doing conforms to the decision in the Albright Case. He continued to explain section 7 of the amendments **(EXHIBIT 1)**.

Motion/Vote:

SENATOR CRIPPEN MOVED TO CHANGE "THE" TO "EITHER" IN SECTION SUB-SECTION 5 (d). MOTION CARRIED 5-1 WITH SENATOR HALLIGAN voting no.

Discussion:

Greg Petesch continued to explain section 7 of the amendments **(EXHIBIT 1)**.

REP. HARRINGTON asked for a clarification of the vote provisi **Greg Petesch** explained the vote amendment **(EXHIBIT 3)**.

Greg Petesch continued to explain the amendments, sections 8- **(EXHIBIT 1)**.

Motion/Vote:

SENATOR CRIPPEN MOVED TO STRIKE "BASE YEAR" AND INSERT "PHASE IN THE BEGINNING OF SECTION 11. MOTION CARRIED UNANIMOUSLY.

Discussion:

REP. HARRINGTON handed out a sheet on SB 195 **(EXHIBIT 4)**. He asked if the taxpayers would have a standing using this in court **Dave Woodgerd, MT Department of Revenue,** said if they look at th town of Circle where they would pay $10 more than they would wit the complete phase-in then they might have a legal standing in court.

REP. HARRINGTON said if they would of done this with the 101 Mills the cities would of all paid $389. With the 101 mills at the two percent phase-in it goes from $399 to $209. It is not just the $10, it is quite a difference between what those 101 mills will bring into the county. **Dave Woodgerd** said if the 101 mills had stayed in place the state would not have taken advantage of that.

REP. HARRINGTON said there is a problem when they deal with the 101 mills and once they adopt the reappraisal. The reappraisal system is moving away from a fair and equitable system. The last issue he is concerned with is the super-majority vote and he has some serious problems with this bill.

CHAIRMAN HARP discussed the town locations on the SB 195 handout **(EXHIBIT 4)**.

Motion:

REP. HIBBARD MOVED TO ADOPT THE FINAL AMENDMENTS INTO A FREE CONFERENCE COMMITTEE REPORT FOR SB 195.

Discussion:

SENATOR HALLIGAN said they can't predict the recessions and the fact that they are tied to the world economy and they need a back-up plan if this fails. The trust of the taxpayers is on their shoulders to try and create a permanent solution. The two percent phase-in is better than a freeze, but why attack the reappraisal process when the court has already upheld it. He said he is upset that they can't trust the voters with the respect to the voting on the potential of increases. If the court decides this is unconstitutional it could send them back into special session and they have jeopardized the trust they have with the taxpayers.

SENATOR CRIPPEN said he shares the concern about the super-majority vote provision. He said they are not dismantling the property tax system. There is going to be a committee that is working during the interim and this shows the taxpayer that they are aware of the problem and the intent to come up with a permanent solution. If they had not done anything and let the 1996 values go in place there would of been lawsuits every where.

CHAIRMAN HARP said this Legislature is reasonably treating all taxpayers fairly. He said no tax policy is perfect and the Legislature has made a reasonable attempt to address the affects of reappraisal.

Vote:

MOTION TO ADOPT AMENDMENTS INTO A FREE CONFERENCE COMMITTEE REPORT PASSED 4-2 WITH SENATOR HALLIGAN AND REP. HARRINGTON voting no.

Free Conference Com.
EXHIBIT NO. 1
DATE 4-17-97 8 A.M.
BILL NO. SB 195

Amendments to Senate Bill No. 195
Reference Reading Copy

For the Conference Committee

Prepared by Greg Petesch
April 16, 1997

1. Title, line 12.
STRIKE: "ELIMINATING"
INSERT: "PHASING IN"

2. Title, lines 16 through 19.
Following: "~~1999;~~" on line 16
Strike: remainder of line 16 through ";" on line 19

3. Title, line 20.
Strike: "A CONTINGENT"
Insert: "AN"
Following: "THREE"
Strike: ","
Insert: "AND"

4. Title, line 21.
Strike: ", AND TEN"
Following: ";"
Insert: "REVISING THE PROPERTY TAX LIMITATIONS IMPLEMENTING INITIATIVE MEASURE NO. 105 BY CHANGING THE EXCEPTIONS TO THE LIMITATIONS; PROVIDING A METHOD FOR THE VOTERS OF A TAXING UNIT TO AUTHORIZE AN INCREASE IN TAXES; PROVIDING FOR A PROPERTY TAX STUDY COMMITTEE; PROVIDING AN APPROPRIATION FOR THE OPERATION OF THE COMMITTEE; PROVIDING CARRYOVER APPROPRIATION AUTHORITY FOR THE DEPARTMENT OF REVENUE;"

5. Title, line 22.
Strike: "15-6-133,"
Insert: "7-6-2514,"
Strike: "15-6-143, 15-7-103,"
Insert: "15-7-102,"
Strike: "15-7-112,"

6. Title, line 23.
Strike: "AND 15-8-111"
Insert: "15-10-401, 15-10-402, 15-10-412, 15-36-323, AND 77-1-208"
Following: ";"
Insert: "REPEALING SECTION 15-10-411, MCA;"

7. Title, line 24.
Following: "~~IMMEDIATE~~"
Insert: "AN IMMEDIATE"
Strike: "DATES"
Insert: "DATE"

8. Page 1, lines 28 through page 2, line 8.

Following: "for" on line 28
Strike: remainder of line 28 through "." on page 2, line 8
Insert: "phasing in newly constructed, remodeled, and reclassified property consistent with the phasing in of reappraised property. The legislature contemplates that the rules adopted by the department should address, at a minimum, the manner in which the reappraised portion of new, remodeled, or reclassified property will be determined and phased in."

9. Page 2, line 12 through page 10, line 24.
Strike: everything after the enacting clause
Insert: "**Section 1.** Section 7-6-2514, MCA, is amended to read:

"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

Section 2. Section 15-6-134, MCA, is amended to read:

"**15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), and (1)(e) of this section is taxed at 3.86% of its market value.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.022 percentage points each year until the tax rate is equal to or less than 2.78%.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ the rate provided in subsection (2)(a)(ii) of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a)(i).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 3. Section 15-7-102, MCA, is amended to read:

"**15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) The department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(i) change in ownership;

(ii) change in classification;

(iii) except a provided in subsection (1)(b), change in

valuation; or

(iv) addition or subtraction of personal property affixed to the land.

(b) After the first year, the department is not required to mail the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an incremental change in valuation caused by the phasing in of a reappraisal.

~~(b)~~ (c) The notice must include the following for the taxpayer's informational purposes:

(i) the total amount of mills levied against the property in the prior year;

~~(ii) the amount of the prior year's taxes resulting from levied mills;~~

~~(iii) an estimate of the current year's taxes based on the prior year's mills;~~ and

~~(iv)~~ (ii) a statement that the notice is not a tax bill.

~~(c)~~ (d) Any misinformation provided in the information required by subsection ~~(1)(b)~~ (1)(c) does not affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

(2) (a) The department shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

(b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

(3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the department, on forms provided by the department for that purpose, within 30 days after receiving the notice of classification and appraisal from the department. The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review. After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

(4) Whether a review as provided in subsection (3) is held

or not, the department may not adjust an appraisal or classification upon the taxpayer's objection unless:

(a) the taxpayer has submitted an objection in writing; and

(b) the department has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. The department shall make the records available for inspection during regular office hours.

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

Section 4. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of certain taxable property.** (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state~~ classes three, four, and ten. All other property must be revalued annually. The ~~department shall complete this~~ revaluation ~~program by~~ of class three, four, and ten property is complete on December 31, 1996. ~~A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued by December 31, 1996. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county.~~ The amount of the change in valuation from the 1996 base year for each property must be phased in each year at the rate of 2% of the total change in valuation.

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

~~(2)~~(3) Beginning January 1~~, 1997~~ 2007, the department of revenue shall administer and supervise a program for the revaluation of all taxable property within ~~the state at least every 3 years~~ classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department.

The reappraisal plan adopted must provide that all class three, four, and ten property in each county ~~be~~ is revalued ~~at least every~~ by January 1, 2010, and each succeeding 3 years. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county."

Section 5. Section 15-10-401, MCA, is amended to read:

"15-10-401. Declaration of policy. (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes ~~three, four, six, nine, twelve, and fourteen~~ of property~~, as those classes are defined~~ described in Title 15, chapter 6, part 1.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

~~(5)~~(2) ~~The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 6. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to ~~1986~~ 1996 levels. ~~(1)~~ Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~ Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable~~ tax year ~~1986~~ 1996.

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.~~

~~(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.~~

~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal,~~

~~adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.~~"

Section 7. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~ **PHASE-IN**

(ii) expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

~~(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation or in the actual tax liability on individual property in each class as a result of:~~

~~(a) a revaluation caused by:~~

~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or~~

~~(ii) cyclical reappraisal;~~

~~(b) transfer of property into a taxing unit;~~

~~(c) reclassification of property;~~

~~(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;~~

~~(e) annexation of the individual property into a new taxing unit; or~~

~~(f) conversion of the individual property from tax exempt to taxable status.~~

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~ (4) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(5) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (5)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~;~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose

during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (7).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~(6) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (6);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~(7)(a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) a finding that there are insufficient funds to adequately operate the taxing unit ~~as a result of 15-10-401 and 15-10-402~~;

~~(b) an explanation of the nature of the financial emergency;~~

~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

~~(e) a finding that there are no alternative sources of revenue;~~

~~(f) a summary of the alternatives that the governing body~~

~~of the taxing unit has considered;~~ and

~~(g)~~ (ii) a statement of the need for the increased revenue and how it will be used.

(b) ***** **VOTE REQUIREMENT** *****

(c) The election provisions of this section do not apply to school levy elections.

~~(11)~~ (8) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (9) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (10) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~ (11) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 8. Section 15-36-323, MCA, is amended to read:

"15-36-323. Calculation of unit value. For the purposes of distribution of oil and natural gas production taxes to county and school taxing units for production from pre-1985 wells, the department shall determine the unit value of oil and natural gas for each taxing unit as follows:

(1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding post-1985 wells.

(2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient obtained by dividing the

net proceeds taxes calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a ~~financial emergency~~ voted levy, as described in 15-10-412~~(10)~~(7), for which additional mills were levied in fiscal year 1990."

Section 9. Section 77-1-208, MCA, is amended to read:

"**77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111 without any adjustments as a result of phasing in values. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 2.

(2) The board shall set the fee of each initial cabin site license or lease or each current cabin site license or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined under the method provided for in subsection (1).

(3) The board shall follow the procedures set forth in 77-6-302 through 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board."

NEW SECTION. **Section 10. Property tax committee.** (1) There is an interim property tax committee. The committee consists of 12 members. The speaker of the house shall appoint six house members, three from each party, and the senate committee on committees shall appoint six senate members, three from each party.

(2) The committee may study all aspects of the state property tax system and shall prepare a menu of alternatives to revise, reform, or replace the property tax system. The alternatives should include methods that remove volatility from the valuation of property. The alternative methods should include options designed to supplement or replace the current valuation system in order to prevent the exclusive reliance on market value.

(3) In order to provide a wide-ranging series of options for

consideration, each individual member of the committee may pursue proposals independently and receive staff assistance on the proposals. The committee may discuss and make suggestions on all proposals. A vote of one-fourth of the members may include a proposal on the menu of alternatives. The menu of alternatives must be presented to the 56th legislature.

(4) The committee may solicit the advice of appropriate persons and entities as the committee considers necessary.

(5) The legislative branch shall provide staff support to the committee. The committee may contract for services as the committee considers necessary.

NEW SECTION. **Section 11. Extension of 1997 deadlines relating to property taxation.** As a result of the change in the base year for reappraisal of class three, four, and ten property enacted by the 55th legislature, it is not possible to comply with certain statutory deadlines relating to appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process will be delayed, which in turn will cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 1997, all deadlines are extended as necessary and reasonable, except the time limits allowed for filing an appeal remain the same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

NEW SECTION. **Section 12. Appropriation.** There is appropriated from the general fund to the legislative branch $100,000 for the biennium for operating expenses and personnel services for operations of the property tax committee established in [section 10].

NEW SECTION. **Section 13. Appropriation carryover.** Notwithstanding the provisions of 17-7-304, the department of revenue may carry over into the fiscal year commencing July 1, 1997, up to $425,000 of the unexpended portion of the appropriation to the department for the biennium ending June 30, 1997.

NEW SECTION. **Section 14. Repealer.** Section 15-10-411, MCA, is repealed.

NEW SECTION. **Section 15. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 1996."

2

H

Free Conference Com.
EXHIBIT NO. 2
DATE 4-17-97 8AM
BILL NO. SB 195

Section A. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) the phased-in portion of cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

3

VOTE

Free Conference Com.
EXHIBIT NO. 3
DATE 4-17-97 8 AM
BILL NO. SB 195 mer

Section 4. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax ~~limited to 1986 levels~~ limit -- ~~clarification -- extension to all property classes~~ exception. Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

(1) (a) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996 tax year~~. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit~~, except in a taxing unit that levied a tax in tax years ~~1983~~ 1993 through ~~1985~~ 1995 but did not levy a tax in ~~1986~~ 1996, in which case the ~~actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due in that taxing unit for the ~~1985~~ 1995 tax year.

(b) Subject to subsection (8), if the taxable valuation of classes three, four, and ten property in a taxing unit increases for reasons other than new construction, remodeling, or reclassification of property, then the taxing unit shall reduce the number of mills levied to comply with subsection (1)(a).

~~(3)~~ (2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by~~:~~

~~(i) cyclical reappraisal; or~~

~~(ii)~~ expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

~~(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation or in the actual tax liability on individual property in each class as a result of:~~

~~(a) a revaluation caused by:~~

~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or~~

~~(ii) cyclical reappraisal;~~

~~(b) transfer of property into a taxing unit;~~

~~(c) reclassification of property;~~

~~(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;~~

~~(e) annexation of the individual property into a new taxing unit; or~~

~~(f) conversion of the individual property from tax exempt to taxable status.~~

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~

~~(b) expanded, deleted, replaced, or remodeled improvements;~~

~~(c) annexed property; or~~

~~(d) property converted from tax exempt to taxable status.~~

~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.~~

~~(7)~~ (4) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~.

(5) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If~~ Except as provided in subsection (5)(d), if a taxing unit's taxable valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

(b) If a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996~~.~~.

(c) If a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of mills levied in either ~~1984~~

1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following the procedure provided for in subsection (7).

~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

~~(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.~~

~~(9)~~ (6) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection ~~(9)~~ (6);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

~~(10)~~ (7) (a) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability:

(i) following a resolution of the governing body of the taxing unit containing:

~~(a)~~ (A) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

~~(b)~~ (B) an explanation of the nature of the financial emergency;

~~(c)~~ (C) an estimate of the amount of funding shortfall

expected by the taxing unit;

~~(d)~~ (D) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;

~~(e)~~ (E) a finding that there are no alternative sources of revenue;

~~(f)~~ (F) a summary of the alternatives that the governing body of the taxing unit has considered; and

~~(g)~~ (G) a statement of the need for the increased revenue and how it will be used~~.~~; or

(ii) by a vote pursuant to this subsection (7)(a)(ii). The approval or rejection of a levy that does not follow the procedure in subsection (7)(a)(i) is decided in the following manner:

(A) determine the total number of qualified electors of the taxing unit from the list of electors supplied by the county registrar for the election;

(B) determine the total number of qualified electors who voted at the taxing unit election from the tally sheets for the election; and

(C) calculate the percentage of qualified electors voting at the election by dividing the number determined in subsection (7)(a)(iii)(A) by the number determined in subsection (7)(a)(ii)(B).

(b) When the calculated percentage in subsection (7)(a)(ii)(C) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected.

(c) The election provisions of this section do not apply to school levy elections.

~~(11)~~ (8) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

~~(12)~~ (9) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~ (10) The limitation on the amount of taxes levied does

not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~(11) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

4

4/17/97
~~4/15/97~~

Senate Bill 195

Free Conference Com.
EXHIBIT NO. 4
DATE 4/17/97 8:00AM
BILL NO. SB195

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Location	Value 1996	Value 1997	Value 1997 2% Phase-In	101 Mill 1996	101 Mills w/ Reappraisal	101 Mills @ 2% Phase-In	Difference Reappraisal - Phase-In
Big Timber	$53,763	$100,000	$54,688	$210	$389	$212	($177)
Columbus	$67,114	$100,000	$67,772	$262	$389	$263	($126)
Superior	$69,444	$100,000	$70,056	$271	$389	$272	($117)
Chinook	$93,458	$100,000	$93,589	$364	$389	$363	($26)
Circle	$103,093	$100,000	$103,031	$402	$389	$399	$10
Kalispell	$50,000	$100,000	$51,000	$205	$389	$209	($180)
Glasgow	$85,000	$100,000	$87,128	$334	$389	$338	($51)
					**********	**********	**********
					All based on a home valued @ $100,000	All based on a home valued @ $100,000	All based on a home valued @ $100,000

Under HB590 @ 2.78% tax rate

			1996	1997
Big Timber	53,763	100,000	210	281
Columbus	67,114	100,000	262	281
Superior	69,444	100,000	271	281
Chinook	93,458	100,000	364	281
Circle	103,093	100,000	402	281
Kalispell	50,000	100,000	205	281
Glasgow	85,000	100,000	334	281

Diff. — Reappraisal — 2.78% tax rate

$71 Big Timber
$19 Columbus
$10 Superior
<$83> Chinook
<$121> Circle
$76 Kalispell
<$53> Glasgow

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AVAILABLE

ROLL CALL

FREE CONFERENCE or CONFERENCE COMMITTEE

ON BILL NO. SB 195

DATE 4/17/97 8 A.M.

NAME	PRESENT	ABSENT	EXCUSED
Sen John Harp	X		
Sen Bruce Crippen	X		
Sen. Mike Halligan	X		
Rep. Chase Hibbard	X		
Rep Dan Harrington	X		
Rep. Bob Story	X		

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